



2016/2017

ANNUAL IDP, BUDGET AND  
SUPPORTING DOCUMENTATION  
OF MOGALE CITY LOCAL  
MUNICIPALITY

ANNUAL BUDGET OF

# **MOGALE CITY LOCAL MUNICIPALITY**

2016/2017 TO 2018/2019  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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## Part 1 – Annual Budget

### 1.1 Introduction

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This Budget notes that while twenty-two years of democracy have brought enduring achievements for South Africa, there is no room for complacency. To overcome apartheid's spatial legacy, the provision of housing and social infrastructure needs to be improved, and planning frameworks across local government must be strengthened. The Medium Term Budget Framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP).

The Medium Term Budget Framework for 2016/17 is being tabled amid a backdrop of international and local economic downturn, amongst the most affected are the emerging markets countries particularly those commodity –producing countries, South Africa being one of them. Added to this is the deterioration of the rand and the current drought gripping large parts of the country. Most importantly, this budget reflects on the commitments made thus far - and sets the tone for “turning challenges into opportunities” as needed to achieve the empowering and sobering goals set out in the current IDP. This will see the municipality consolidate actions to ensure basic services are delivered to the highest feasible standards, and accelerate actions which drive and enable social and economic transformation.

The core services that local government provides are clean drinking water, sanitation, electricity, refuse removal and roads - are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. Our vision of developmental local government was that it would be the building block on which the construction and development of our country and society was built, a place in which the citizens of our country could engage in a meaningful and direct way with the institutions of the state. Local government is where most citizens interface with government, and its foundational ethos must be about serving people.

Local government has been a primary site for the delivery of services in South Africa since 1994. We have made tremendous progress in delivering water, electricity, sanitation and refuse removal to Mogale City's citizens. These rates of delivery are unprecedented in world-wide terms.

Mogale City for the past 5 years under the current political and administration has been implementing back-to-basics key performance requirements. This has been proven by achieving clean audit during 2013/14 and 2014/2015 financial years. The goal is to enhance and build a strong environment where sustainable performance is achieved and aimed at improving quality service delivery for all people within Mogale City.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. The need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms is vital.

During the 2016/2017 financial year we anticipate to raise R2 397 770 338 in billed revenue and operational grants, excluding capital grants of R248 876 000. Of the R2 397 770 338 revenue anticipated R2 783 094 305 will be spent on operational budget to deliver services like water, electricity distribution, sanitation and sanitation and refuse removal. The aim of this budget is to achieve the following objectives as per Strategic Plan of Mogale City.

1. To provide sustainable services to the community.
2. To promote sustainable environmental management.
3. To provide sustainable governance to the local communities.
4. To ensure sustainable governance practices within the Municipality.

In compiling this 2016/2017 annual budget was in line with the Strategic Plan which was revised in March 2015, reconciled with the IDP. On operational budget however some of the items like bulk purchases and employee related costs are predetermined.



## 1.2 Recommended to the Municipal Council

1. That the draft annual IDP, Budget of Mogale City Local Municipality for the financial year 2016/2017 and the indicative estimates for the two projected outer years 2017/2018 and 2018/2019, as set out in the schedules listed below be **adopted and approved**:
  - 1.1. The annual IDP, Budget of the municipality for the financial year 2016/2017 and the multi-year and single year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 16 (**MBRR Table A2**) on page 36;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 17 (**MBRR Table A3**) on page 38;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19 (**MBRR Table A4**) on page 40; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20 (**MBRR Table A5**) on page 43.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted and approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 21 (**MBRR Table A6**) on page 45;
    - 1.2.2. Budgeted Cash Flows as contained in Table 22 (**MBRR Table A7**) on page 47;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23 (**MBRR Table A8**) on page 47;
    - 1.2.4. Asset management as contained in Table 24 (**MBRR Table A9**) on page 44;
    - 1.2.5. Basic service delivery measurement as contained in Table 25 (**MBRR Table A10**) on page 51.
2. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts and approves the following tariffs:
  - 2.1.1. the tariffs for electricity – as set out in Schedule 3 on page 77-80
  - 2.1.2. the tariffs for the supply of water – as set out in Schedule 3 on page 81-83 .
  - 2.1.3. the tariffs for sanitation services – as set out in Schedule 3 on page 84-85 .
  - 2.1.4. the tariffs for property rates – as set out in Schedule 3 on page 86.
  - 2.1.5. the tariffs for refuse removal – as set out in Schedule 3 on page 87-88
3. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts and approves the tariffs for other services, as set out in Schedule 3 on page 89-200 respectively.
4. The Council of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves the reviewed rates policy.
5. The Council of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) approves the rates By-laws to give effect to the rates policy.

6. That the Council of Mogale City Local Municipality approves the following budget related policies:

1. Annexure 1: Property Rates Policy
2. Annexure 2: Property Rates By-Laws
3. Annexure 3: Credit Control & Debt Collection Policy
4. Annexure 4: 1% Social Responsibility Policy
5. Annexure 5: 1% Social Responsibility Policy
6. Annexure 6: Indigent Management Policy
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16. Annexure 16: Draft Waste Tariff Policy
17. Annexure 17: Unauthorised Irregular Fruitless & Wasteful Expenditure Management

7. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2016/2017 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws

## 1.3 Executive Summary

### Planning Framework

The Constitution requires local government to relate its management, budgeting and planning functions to its service delivery objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. This includes the compilation of the Medium Term Revenue and Expenditure Framework (MTREF).

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into the Strategic Planning which directly inform the Service Delivery and Budget Implementation Plan.

With the compilation of the 2016/17 MTREF, Mayoral Committee and Management of Mogale City had to review the priorities to be in line with the available resources during the budget process that targets quality service delivery to all. The setting of targets and resource allocation will be done as a single process in the 2016/2017 – 2017/2018 MTREF period.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized, were on consultants' fees, contracted services, water tankers, security services, connections via contractor, legal costs, other general expenses, workshops, travel, accommodation, catering and office furniture.

### Economic Outlook

"The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa's own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2016 improving gradually to 1.7 per cent in 2017 and 2.4 per cent in 2018. The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2016. These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth." (MFMA Circular No.79)

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Therefore the application of sound financial management principles for the compilation of Mogale City's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70, 72, 75, 79 & 82 were used to guide the compilation of the 2016/2017 MTREF.

**The main challenges experienced during the compilation of the 2016/2017 MTREF can be summarised as follows:**

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- Affordability of capital projects – original allocations had to be reduced during the current year's adjustment budget and needed to be factored into the budget as part of the 2016/2017 MTREF process and new projects had to be scaled down to be within affordability.
- The need to reflect costs reflective tariffs for Water with double digit increase from Rand Water of 10 per cent.
- The declining liquidity ratio due to budgeted deficit of financial performance from 2014/15 and over 2016/17 MTREF.

**The following budget principles and guidelines directly informed the compilation of the 2016/2017 MTREF:**

- The 2015/2016 original budget, adjustment budget priorities and targets, as well as the request from Departments based on the five year plan adopted by council and 2014/2015 audited outcome on certain line items.
- **Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.**
- **There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.**
- **The cost containment measures will be implemented gradually to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.**

In view of the aforementioned, the following table is a consolidated overview of the Approved 2016/2017 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2016/2017 MTREF**

R thousand	2014/2015 Audited Outcome	Approved Original Budget 2015/2016	Approved Adjustment Budget 2015/ 2016	Budget Year 2016/ 2017	Budget Year +1 2017/2018	Budget Year +2 2018/2019
Total Operating Revenue (Including Capital Transfers)	2 284 285 186	2 390 677 327	2 503 772 245	2 646 646 338	2 782 820 999	3 024 670 030
Total Operating Expenditure	2 301 986 251	2 593 074 690	2 612 195 715	2 783 094 305	2 878 738 590	3 047 799 832
Accounting Surplus / (Deficit) after Capital Transfers	-17 701 065	-202 397 363	-108 423 470	-136 447 967	-95 917 591	-23 129 802
Total Capital Expenditure	396 938 718	293 360 149	472 287 687	424 968 598	244 000 000	440 668 000
<b>Total Consolidated Budget</b>	<b>2 698 924 969</b>	<b>2 886 434 839</b>	<b>3 084 483 402</b>	<b>3 208 062 903</b>	<b>3 122 738 590</b>	<b>3 488 467 832</b>

Total operating revenue has grown by 6 per cent or R142 874 093 for the 2016/2017 financial year when compared to the 2015/2016 Adjustments Budget. For the two outer years, operational revenue will decrease to 5 per cent and increase to 9 per cent respectively, equating to a total revenue growth of R520 897 785 over the MTREF when compared to the 2015/2016 adjustment budget.

Total operating expenditure for the 2016/2017 financial year has been appropriated at R2 783 094 305 and translates into an accounting operating budgeted deficit of **R136 447 967**. This operating deficit is a non-cash deficit due to non-cash items like debt impairment, depreciation, year-end provisions and municipal charges of about **R502 284 747**. This deficit remains a challenge for the municipality as it affects our liquidity position.

When compared to the 2015/2016 Adjustment Budget, operational expenditure has grown by 6 per cent in the 2016/2017 budget and by 3 and 6 per cent for each of the respective outer years of the MTREF.

The capital budget of R424 968 598 for 2016/2017 is 10 per cent less when compared to the 2015/2016 Adjustment Budget. **Own funded capital projects requested by different departments were decreased drastically due to affordability.** A substantial portion of the capital budget projects will be implemented during 2018/2019 financial years with a long term planning of building cash reserves over the MTREF. Own funding contributes 39 per cent in 2016/2017 of the total Approved capital budget.

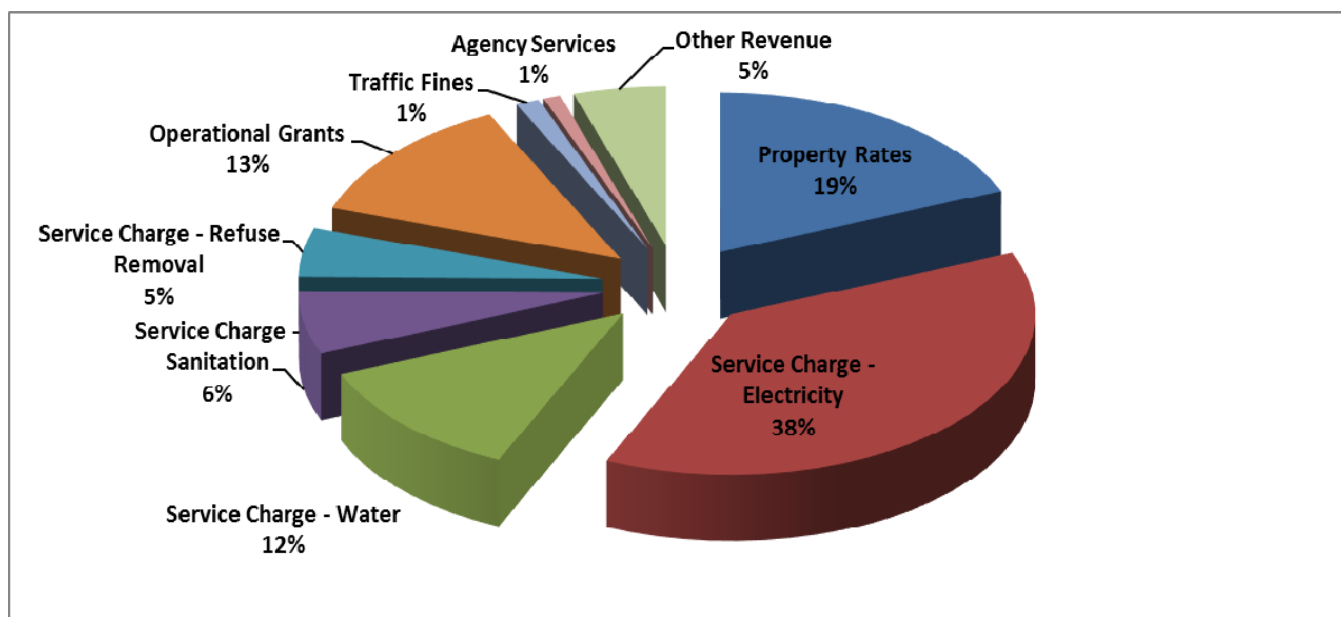
## 1.4 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

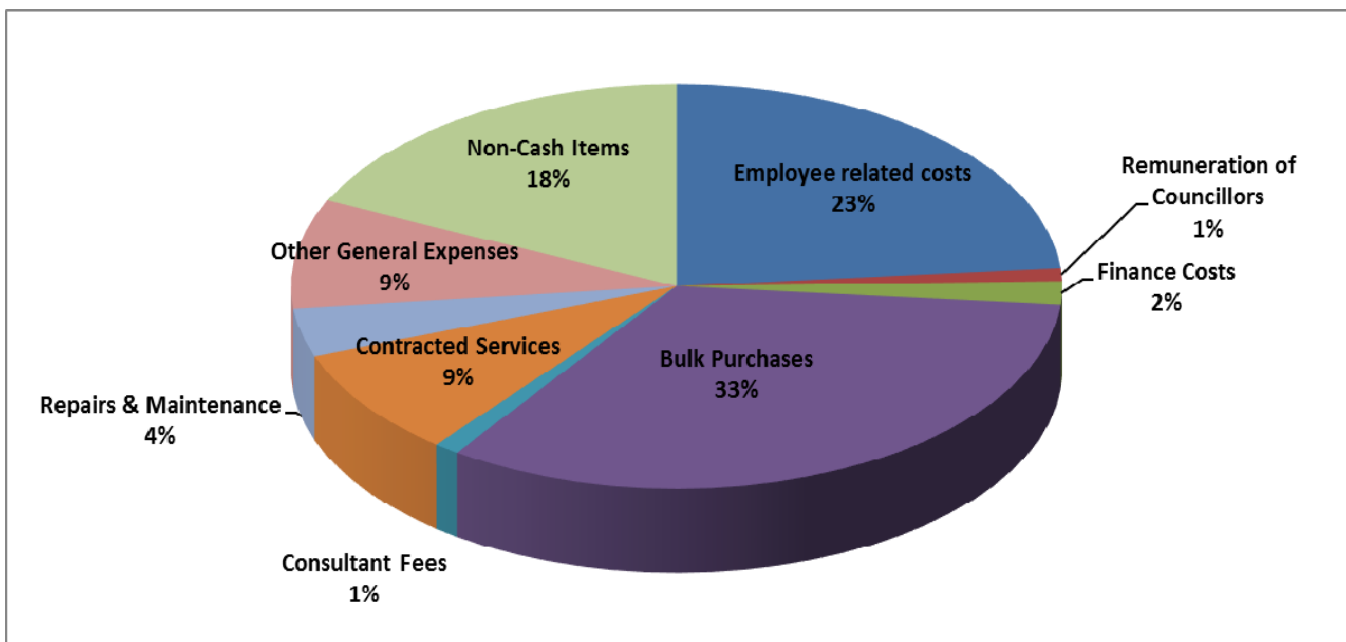
**The revenue base for the City for other main tariffs excluding electricity, water and sanitation, property rates, refuse removal have increased by 6 per cent growth.**

The municipality's revenue strategy is built around the following key components:

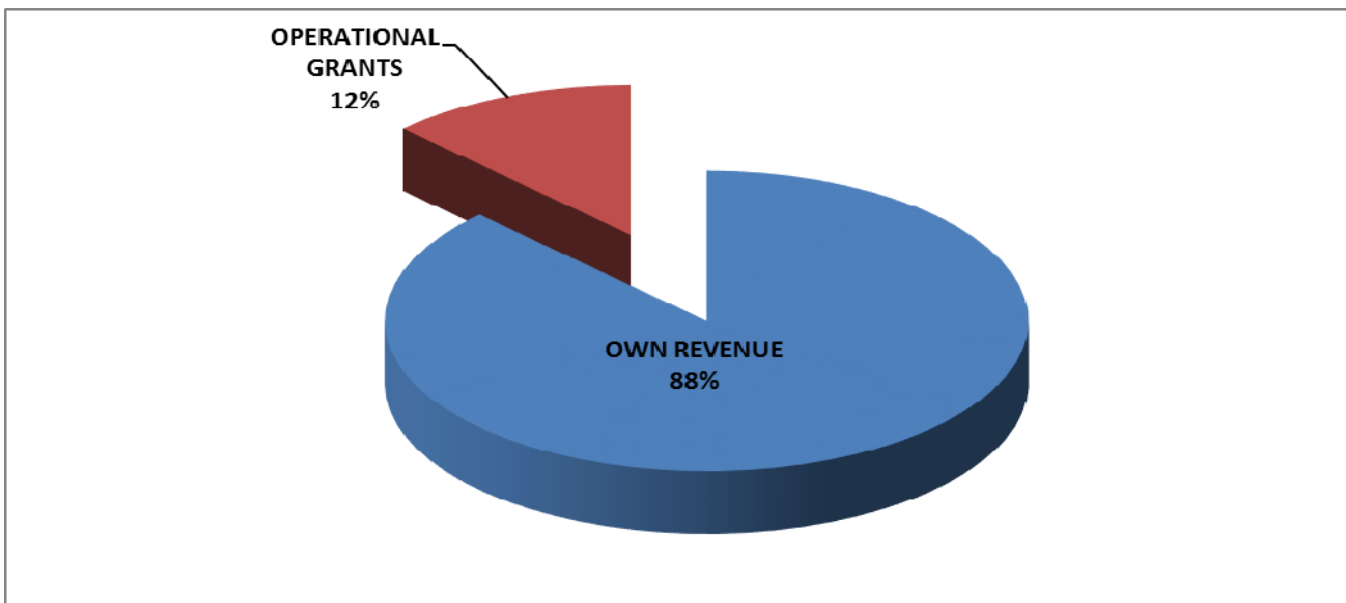
- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 97 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 7.64 per cent approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariffs increase of 11.9 per cent approved by National Parliament;
- Sanitation tariff increase of 11.9 per cent,
- Property Rates increase by 6.9 per cent,
- Refuse Removal increase by 6.9 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- Increasing debt book;
- The municipality's Indigent Management Policy and rendering of free basic services; and



**Figure 1 Main operational revenue categories**



**Figure 2 Main operational expenditure categories**



**Figure 3: Source of revenue**

During 2016/2017, the City's total budget amount to approximately R3.2 billion, the split between operating and capital are as follows:

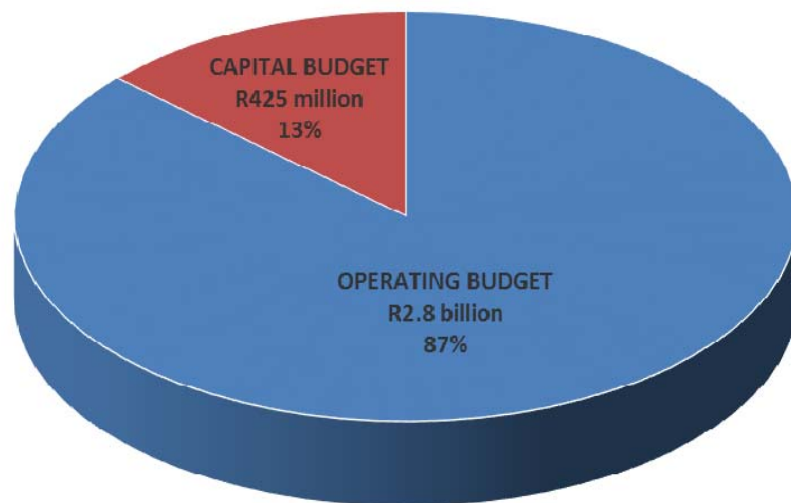


Figure 4: Operating & Capital Budget

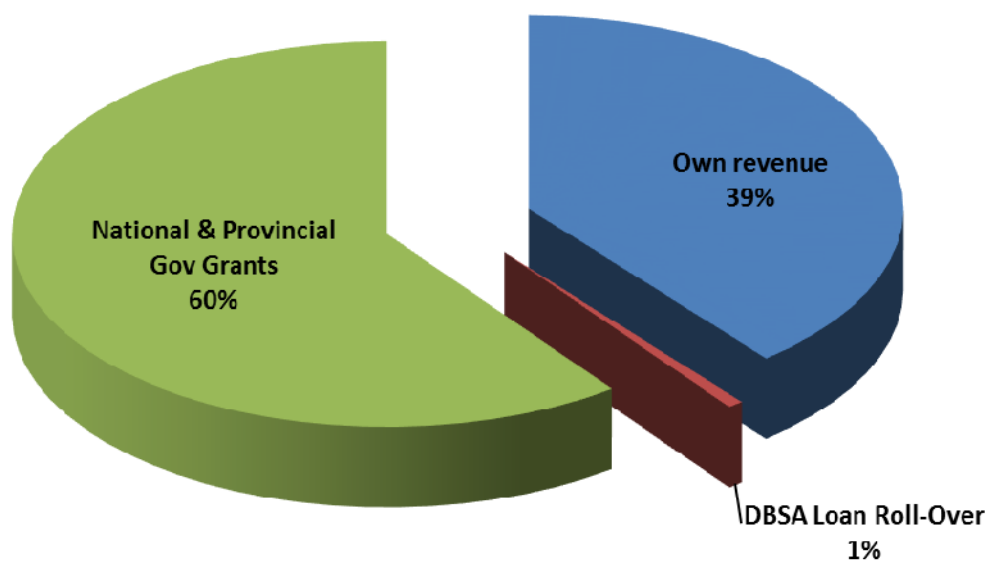


Figure 5: Capital Funding



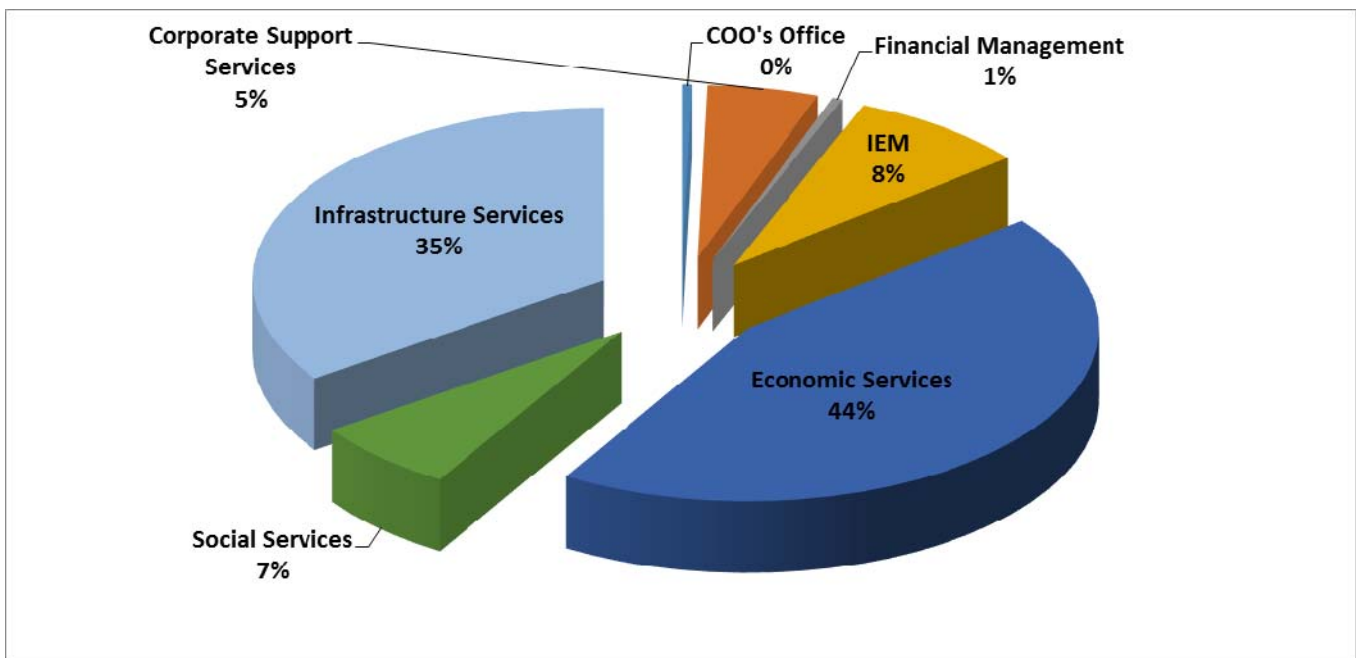


Figure 6: Capital budget per votes/departments

The following table is a summary of the 2016/2017 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	272 542	308 723	394 495	368 044	420 617	420 617	420 617	449 640	474 370	499 512
Property rates - penalties & collection charges		20 863	32 026	24 995	26 828	22 759	22 759	22 759	24 329	25 667	27 027
Service charges - electricity revenue	2	695 834	723 268	775 086	904 354	844 987	844 987	844 987	902 338	1 013 302	1 145 011
Service charges - water revenue	2	187 182	193 741	216 547	257 065	260 054	260 054	260 054	291 001	320 101	352 111
Service charges - sanitation revenue	2	94 007	105 155	127 551	132 037	136 912	136 912	136 912	153 205	162 603	172 338
Service charges - refuse revenue	2	91 131	100 636	104 034	110 378	110 874	110 874	110 874	118 524	125 147	131 780
Service charges - other		-	-	-							
Rental of facilities and equipment		2 821	2 969	3 366	3 447	3 250	3 250	3 250	3 446	3 652	3 846
Interest earned - external investments		13 537	12 624	17 348	6 000	4 854	4 854	4 854	2 040	2 152	2 266
Interest earned - outstanding debtors		10 349	14 518	22 291	34 237	39 157	39 157	39 157	41 507	43 997	46 329
Dividends received		-	34	19		-	-	-	-	-	-
Fines		10 469	170 003	134 577	23 522	27 000	27 000	27 000	30 000	31 800	33 485
Licences and permits		17	28	19	23	28	28	28	29	31	33
Agency services		24 950	21 408	22 184	22 692	22 184	22 184	22 184	22 184	23 515	24 762
Transfers recognised - operational		239 980	238 158	250 762	274 720	274 258	274 258	274 258	298 444	339 840	375 307
Other revenue	2	73 366	79 792	89 221	36 173	114 948	114 948	114 948	34 008	35 616	29 915
Gains on disposal of PPE		104	6 311	2 548	50 000	50 000	50 000	50 000	20 000	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 737 150</b>	<b>2 009 394</b>	<b>2 185 042</b>	<b>2 249 521</b>	<b>2 331 883</b>	<b>2 331 883</b>	<b>2 331 883</b>	<b>2 390 694</b>	<b>2 601 795</b>	<b>2 843 722</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description R thousand	Current Year 2015 / 2016		2016 / 2017 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2016/2017	%	Budget Year +1 2017 / 2018	%	Budget Year +2 2018 / 2019	%
Property Rates	420 617	18%	449 640	19%	474 370	18%	499 512,00	18%
Service Charges - Electricity Revenue	844 987	36%	909 545	38%	1 020 509	39%	1 145 011,00	40%
Service Charges - Water Revenue	260 054	11%	291 001	12%	320 101	12%	352 111,00	12%
Service Charges - Sanitation Revenue	136 912	6%	153 205	6%	162 603	6%	172 338,00	6%
Service Charges - Refuse Revenue	110 874	5%	118 524	5%	125 147	5%	131 780,00	5%
Service Charges - Other	22 759	1%	24 329	1%	25 667	1%	27 027,00	1%
Rental of Facilities and Equipment	3 251	0%	3 446	0%	3 652	0%	3 846,00	0%
Interest Earned - External Investment	4 854	0%	2 040	0%	2 152	0%	2 266,00	0%
Interest Earned - Outstanding Debtors	39 157	2%	41 507	2%	43 997	2%	46 329,00	2%
Fines	27 000	1%	30 000	1%	31 800	1%	33 485,00	1%
Licences and Permits	28	0%	29	0%	31	0%	33,00	0%
Agency Services	22 184	1%	22 184	1%	23 515	1%	24 762,00	1%
Transfers Recognised - Operational	274 258	12%	298 444	12%	339 908	13%	375 307,00	13%
Other revenue	114 948	5%	46 801	2%	28 409	1%	29 915,00	1%
Gains on Disposal of PPE	50 000	2%	20 000	1%		0%		0%
<b>Total Revenue excluding capital transfers and contributions</b>	<b>2 331 883</b>	<b>100%</b>	<b>2 410 695</b>	<b>100%</b>	<b>2 601 861</b>	<b>100%</b>	<b>2 843 722</b>	<b>100%</b>
<b>Total revenue from rates and service charges</b>	<b>1 773 444</b>	<b>76%</b>	<b>1 921 915</b>	<b>80%</b>	<b>2 102 730</b>	<b>81%</b>	<b>2 300 752</b>	<b>81%</b>

**In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.**

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charges revenue comprise 80 per cent of the total revenue mix during 2016/2017 financial year and remains constant at 81 per cent over MTREF. During 2015/2016 financial year, revenue from rates and services charges totalled R1.8 billion or 78 per cent. This increases to R1.9 billion, R2.1 billion and R2.3 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 78 per cent in 2015/2016 Adjustment Budget to 81 per cent in 2018/2019 financial year. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity over the years and water tariffs. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 19 per cent or R449 640 million rand and increases to R499 512 million by 2018/2019. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R298 444 million in the 2016/2017 financial year an increase of 8.8 per cent when compared to 2015/2016 Adjustment Budget this increase can attributed to the increase in the Provincial Government for Library funding increment of R1 799 million and Equitable Share increased by R35 137 million, and the overall operating grants increases to R375 307 million by 2018/2019. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past

**The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:**

**Table 4 Operating Transfers and Grant Receipts**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		214 367	229 221	243 843	265 305	264 916	264 916	291 020	325 340	360 807
Local Government Equitable Share		210 117	222 291	238 641	259 185	259 185	259 185	285 456	320 490	355 627
Finance Management Grant		1 250	1 300	1 450	1 450	1 450	1 450	1 475	1 550	1 550
Municipal Systems Improvement Grant		1 000	783			961	961			
Municipal Infrastructure Grant			1 974	1 700	3 404	2 054	2 054	3 000	3 300	3 630
Expanded Public Works Program		2 000	2 873	2 052	1 266	1 266	1 266	1 089	-	
Provincial Government:		22 028	6 265	4 267	6 513	6 105	6 105	7 424	14 500	14 500
Sport, Arts Recreation and Culture Grant		3 706	3 623	4 267	6 513	5 625	5 625	7 424	14 500	14 500
Environmental Management						480	480			
Housing		16 669	2 642							
Aloecap Project		1 653								
Other transfers/grants (insert description)										
District Municipality:		2 290	2 672	2 652	2 902	3 236	3 236	-	-	-
West Rand District Municipality		2 290	2 672	2 652	2 902	2 902	2 902	-	-	
WRDM: Agricultural Mechanisation Programme						335	335			
Other grant providers:		1 295	-	-	-	-	-	-	-	-
SETA		1 295								
Bontle Ke Botho										
<b>Total Operating Transfers and Grants</b>	5	239 980	238 158	250 762	274 720	274 258	274 258	298 444	339 840	375 307

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality**, Tariff setting takes place within the framework of the City's Tariff Policy. The Policy is premised on the following principles:

- Social: affordability of services, promotion of access to services, cross- subsidization of the poor where necessary and feasible, simple and easy to implement tariff structure.
- Economic: competitiveness of the City, in support of macroeconomic policies of the country, tariffs must positively influence microeconomic input costs facing firms.
- Financial: Cost- reflective tariffs linked to medium term financial framework.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities are encouraged to keep increases at no more than the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Statistics South Africa announced on 20 April 2016 that Consumer Price Inflation (CPI) decelerated from 7 per cent year-on-year in February 2016 to 6.3 per cent in March 2016, while food costs in March 2016 were nearly 10 per cent higher than in March 2015. The drought we currently experiencing will keep inflation outside the South African Reserve Bank's 3 per cent to 6 per cent target range "for some time to come."

**Tariffs could not be contained within the targeted inflation limits due to increased cost of the provision of services. Fuel increases are far in excess of inflationary limits. Additional staff members are required to ensure continued service delivery as well as compliance with laws and regulations. Tariff increases on property rates and refuse removal services are Approved at 6.9 per cent to provide for the cost of staff and other cost drivers.**

The percentage increases of both Eskom and Rand Water bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipalities. The Approved tariffs for these services are thus the same. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

**The Eskom price increase of bulk electricity supplied to municipalities will increase by 7.857 per cent on 01<sup>st</sup> July 2016.**

On 14 April 2016, the National Energy Regulator of South Africa (NERSA) approved a guideline for municipalities as follows:

A guideline increase of 7.64 per cent, which is based on the following assumptions:

- I. Bulk purchase costs have increased by 7.857 per cent in line with Eskom's electricity tariff increase to municipalities;
- II. A consumer price index (CPI) of 6.6 per cent as indicated in the National Treasury (Budget Review) 2016;
- III. Salary and wage increases of CPI plus 1% as indicated in the SALGA Circular No. 31/2015: Salary and Wage Collective Agreement; and
- IV. Repairs and maintenance, capital charges and other costs have increased by the CPI.

**In compliance with the provisions of the Municipality Finance Management Act (MFMA) and the Bulk Water Supply Contract, Rand Water on the 18<sup>th</sup> April 2016 notifies Mogale City that the approved potable water tariff increase effective from 01<sup>st</sup> July 2016 to 30 June 2017 will be 11.9 per cent (756.349393 cents per kilolitre).**

**Furthermore, in terms of the Water Research Act, Act 34 of 1971 Rand Water must collect the Water Research Levy. This is not part of Rand Water's tariff. Rand Water will inform all Municipalities in due course about the 2016/17 WRC tariff levy increase as soon as it has been gazetted. The budget for purchase of water does not include this water research levy.**

**It must also be noted that Mogale City's water tariffs are not cost reflective, we are purchasing water from Rand Water at a higher price of 756.349393 cents per kilolitre excluding VAT then sell to customers at low price.**

**The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.**

**It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:**

### 1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 March 2009 (Regulation Gazette No. 32061) whereby agricultural properties used solely for agricultural/farming purposes only will be calculated on a ratio of 1:0.25. The rate takes into account the socio-economic contributions that farmers make with respect to job creation, accommodation, provision of services and also public benefit organization property will be calculated on a ratio of 1:0.25 taking into account the contribution they make to the community.

**During 2016/17 financial year some categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j. (Government Gazette no.37922: 18 August 2014).**

The categories of rate-able properties for purposes of levying rates and the Approved rates for the 2016/17 financial year based on a **6.9 per cent** increase from 01<sup>st</sup> July 2016 is contained below:

**Table 5 Approved rates to be levied for the 2016/2017 financial year**

Category	Current Tariff (1 July 2015)	Proposed tariff (from 1 July 2016)	Increase	PRIMARY VALUATION REDUCTION	ADDITIONAL VALUATION REDUCTION	TARIFF REBATE	ADDITIONAL REBATE
	c	c	%				
Residential properties	0.01295	0.01384	6.9%	-15,000	-25,000	40%	
Indigents	0.01295	0.01384	6.9%	-15,000	-25,000	40%	100% (Exempted)
Pensioner Rebate.Property Tax	0.01295	0.01384	6.9%	-15,000	-25,000	40%	40%
State Owned Properties Residential	0.01295	0.01384	6.9%	-15,000	-25,000	40%	
Commercial & Business	0.02590	0.02769	6.9%				
Agricultural	0.00332	0.00355	6.9%				
Agricultural-Residential	0.01295	0.01384	6.9%	-15,000	-25,000	40%	
Agricultural-Business	0.02590	0.02769	6.9%				
Public Benefit Organization	0.01295	0.01384	6.9%			75%	
Industrial	0.02590	0.02769	6.9%				
Public Service Infrastructure (PSI)	0.01295	0.01384	6.9%			75%	
Private Open Space	0.01318	0.01409	6.9%			75%	
Special Use	0.02372	0.02536	6.9%				

#### 1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, **National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:**

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Water & sanitation and refuse removal tariffs are not yet cost reflective if the full cost of depreciation is taken into account.

Municipalities must have an appropriate strategy to limit water losses to acceptable levels. **Water losses in 2014/2015 audited financial statements was 27 per cent or R50 106 815, excluding 15 per cent of apparent losses.** Infrastructure Department has developed a strategy to curb these high water losses.

Better maintenance of infrastructure, new reservoirs construction, purchase of bulk water meters and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Rand Water has increased its bulk tariffs with 11.9% from 1 July 2016. A tariff increase of 11.9% for Mogale City customers from 1 July 2016 for water is Approved. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residential properties. Water sliding scales are used to encourage water conservation.

**A summary of the Approved tariffs for households (residential) and non-residential are as follows:**



**Table 6 Approved Water Tariffs**

<b>CATEGORY</b>	<b>CURRENT TARIFFS</b>	<b>PROPOSED TARIFFS</b>	<b>INCREASE</b>
	<b>2015/2016</b>	<b>2016/2017</b>	
	<b>Rand per kℓ</b>	<b>Rand per kℓ</b>	<b>%</b>
<b>RESIDENTIAL</b>			
(i) 0 to 6 kℓ	0	0	
(ii) 7 to 15 kℓ	15.68	17.54	11.9%
(iii) 16 to 30 kℓ	19.44	21.75	11.9%
(iv) 31 to 45 kℓ	22.62	25.31	11.9%
(v) 46 to 60kℓ	24.95	27.92	11.9%
(vi) 61 kl + above	27.27	30.51	11.9%
Other consumers: Schools, NGO's and Hospitals Per kl	18.16	20.32	11.9%
<b>NON-RESIDENTIAL (Business &amp; Industrial)</b>			
(i) 0 – 500 kℓ	22.66	25.36	11.9%
(ii) 500 + above	17.01	19.03	11.9%

The following table shows the impact of the Approved increases in water tariffs on the water charges for a single dwelling-house:

**Table 7 Comparison between current water charges and increases (Domestic)**

<b>Monthly Consumption</b>	<b>Current Amount Payable 2015/16</b>	<b>Proposed Amount Payable 2016/17</b>	<b>Difference (Increase)</b>	<b>Percentage Change</b>
<b>Kl</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
20	388.80	434.97	46.17	11.9%
30	583.20	652.46	69.26	11.9%
40	904.80	1,012.52	107.72	11.9%
50	1,247.50	1,395.97	148.47	11.9%
80	2,181.60	2,441.07	259.47	11.9%
100	2,727.00	3,051.34	324.34	11.9%

### 1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 11.9 per cent for sanitation from 1<sup>st</sup> July 2016 is Approved. **It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore the higher than CPI increase of 11.9 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the Approved tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R153 million for the 2016/2017 financial year.

The following table compares the current and Approved tariffs:

**Table 8 Approved sanitation tariff charges**

Category/Land Use (Irrespective of the quantity of water supplied to the premises)	CURRENT TARIFFS 2015/2016	PROPOSED TARIFFS 2016/2017	INCREASE
	R	R	%
Additional Sewerage fixed usage 30kl /month	179.39	200.74	11.9%
Basic Charges per m2	0.03	0.03	11.9%
Additional Sewerage for Kagiso/Musieville/Rietvallei/Lusaka/Ga-Mogale	89.71	145.33	62.0%
Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months	5.99	6.70	11.9%
Basic Sewerage Fixed usage 30kl/month : Vacant stand	3.62	4.05	11.9%

### 1.4.4 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 7.857% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by 7.64% to offset the additional bulk purchase cost from 1 July 2016 (as per the NERSA requirements). Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The on-going capping of increases to municipal customers at levels lower than the cost increase of bulk purchases is not sustainable. The gross margins of the electricity service is being pushed lower on an annual basis, to such an extent that the service is now just breaking even and losses will be made in future years.

**Table 9 Approved Electricity Tariffs**

APPROVED ELECTRICITY TARIFFS: 2016/2017					2016-2017		
					2015/16 NERSA APPROVED TARIFFS	2016-17 MLCM APPROVED TARIFFS	Mogale City % Increase/Decrease
					12,20%	7,64%	
					Mogale City Approved Tariffs	Mogale City Approved Tariffs	
					2015/2016	2016/2017	2016/2017
ENVIRONMENTAL ELECTRICITY LEVY					R / kWh Sold	R 0,0000	R 0,0000
1. Domestic - Single Consumers							
1.1. Pre-Paid							
1.1.1. Pre-Paid: Single Phase							
1.1.1.1. Energy (R/kWh)					0269	R 1,4420	R 1,552
1.1.1.2. Energy (R/kWh)					NEW	R 1,4249	R 1,534
1.1.1.3. Energy (R/kWh)					NEW	R 1,4823	R 1,596
Fixed Charge (R/A/CB rating)							
1.1.2. Pre-Paid: Three Phase							
1.1.2.1. Energy (R/kWh)						R 1,3212	R 1,4221
1.1.2.2. Energy (R/kWh)					NEW	R 1,4648	R 1,5767
1.1.2.3. Energy (R/kWh)					NEW	R 1,5239	R 1,6403
Fixed Charge (R/A/CB rating)							
1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)					350 kWh / Month and 30 Ampere Connection Maximum		
1.2.1. Energy (R/kWh)					0277	R 0,9421	R 1,0141
1.2.2. Energy (R/kWh)					NEW	R 1,0430	R 1,1227
1.2.3. Energy (R/kWh)					NEW	R 1,2565	R 1,3525
1.2.4. Energy (R/kWh)					NEW	R 1,4820	R 1,5952
Fixed Charge (R/A/CB rating)							
1.3. Two-Part							
1.3.1. Energy (R/kWh)					0270	R 1,0048	R 1,0816
1.3.2. Fixed Charge (R/A/CB rating) (60A)					0200	R 4,40	R 4,74
1.4. Two-Part: Time-of-Use							
Energy (R/kWh):							
1.4.1. During Eskom PEAK Times					0236	R 2,5678	R 2,7640
1.4.2. During Eskom STANDARD Times					0237	R 1,1937	R 1,2849
1.4.3. During Eskom OFF-PEAK Times					0238	R 0,7961	R 0,8569
1.4.4. Fixed Charge (R/A/CB rating)					0216	R 4,39	R 4,73
1.5. FREE Basic Electricity					Poor households - 50 kWh / Month	R 0,0000	R 0,0000
2. Domestic - Bulk Consumers Low Voltage							
2.1. Three-Part							
2.1.1. Energy (R/kWh)					240	R 0,7787	R 0,8382
2.1.2. Fixed Charge (Rand/Month)					212	R 489,10	R 526,47
2.1.3. Demand Charge ( R/kVA )					241	R 90,44	R 97,35
2.1.4. Reactive Energy Charge (R/kvarh)					NEW	R 0,1828	R 0,1968
2.2. Time-of-Use:							
2.2.1. Energy Charge (R/kWh)							
Peak					242	R 3,5921	R 3,8665
					243	R 1,0033	R 1,0800
Standard					244	R 1,0033	R 1,0800
					245	R 0,6147	R 0,6617
Off-Peak					246	R 0,4988	R 0,5369
					247	R 0,4297	R 0,4625
2.2.2. Fixed Charge (Rand/Month)					213	R 440,18	R 473,81
2.2.3. Demand Charge ( R/kVA )					248	R 87,18	R 93,8406
2.2.4. Reactive Energy Charge (R/kvarh)					NEW	R 0,1828	R 0,1968
3. Domestic - Bulk Consumers High Voltage							
3.1. Three-Part							
3.1.1. Energy (R/kWh)					249	R 0,6453	R 0,6946
3.1.2. Fixed Charge (Rand/Month)					214	R 4 491,49	R 4 834,64
3.1.3. Demand Charge ( R/kVA )					250	R 64,53	R 69,46
3.1.4. Reactive Energy Charge (R/kvarh)					NEW	R 0,1828	R 0,1968
3.2. Time-of-Use							
3.2.1. Energy Charge (R/kWh)							
Peak					251	R 3,8377	R 4,1309
					252	R 1,0716	R 1,1535
Standard					253	R 0,9979	R 1,0741
					254	R 0,6567	R 0,7069
Off-Peak					255	R 0,5330	R 0,5737
					256	R 0,5330	R 0,5737
3.2.2. Fixed Charge (Rand/Month)					215	R 5 392,31	R 5 804,28
3.2.3. Demand Charge ( R/kVA )					257	R 77,47	R 83,3887
3.2.4. Reactive Energy Charge (R/kvarh)					NEW	R 0,1828	R 0,1968
4. Commercial and Industrial - Small Consumers							
4.1. Two-Part							
4.1.1. Energy (R/kWh)					0271	R 1,3352	R 1,4372
4.1.2. Fixed Charge (R/A/CB rating)					0209	R 5,41	R 5,82
4.2. Two-Part: Time-of-Use							
4.2.1. Energy (R/kWh):							
4.2.1.1. During Eskom PEAK Times					0233	R 2,7000	R 2,9063
4.2.1.2. During Eskom STANDARD Times					0234	R 1,2692	R 1,3662
4.2.1.3. During Eskom OFF-PEAK Times					0235	R 0,8335	R 0,8972
4.2.2. Fixed Charge (R/A/CB rating)					0217	R 5,41	R 5,82
4.3. Pre-Paid							
4.3.1. Pre-Paid: Single Phase							
4.3.1.1. Energy (R/kWh)					0269	R 1,3913	R 1,4976
4.3.1.2. Fixed Charge (R/A/CB rating)							
4.3.2. Pre-Paid: Three Phase							
4.3.2.1. Energy (R/kWh)						R 1,7592	R 1,8936
4.3.2.2. Fixed Charge (R/A/CB rating)							
5. Commercial & Industrial - Bulk Consumers Low Voltage							
5.1. Three-Part							
5.1.1. Energy (R/kWh)					0273	R 0,7841	R 0,8440
5.1.2. Fixed Charge (Rand/Month)					0202	R 489,10	R 526,47
5.1.3. Demand Charge ( R/kVA )					0291	R 92,91	R 100,01
5.1.4. Reactive Energy Charge (R/kvarh)					NEW	R 0,1828	R 0,1968

### 1.4.5 Refuse Removal and Impact of Tariff Increase

The main cost drivers for the service are leasing of compact trucks, increases in general expenditure such as petrol and diesel and the cost of remuneration. A **6.9%** increase in the refuse removal tariff is Approved from 1 July 2016. This service during 2014/15 audited outcome has realize a surplus of R32 843 million and for 2016/17 MTREF the projected surplus is R41 106 million.

The following table compares current and Approved amounts payable from 1<sup>st</sup> July 2016:

**Table 10 Approved refuse removal**

<b>CATEGORY</b>	<b>CURRENT TARIFFS 2015/2016</b>	<b>PROPOSED TARIFFS 2016/2017</b>	<b>INCREASE</b>
<b>MOBILE REFUSE CONTAINERS 240L BINS</b>	<b>Per month @</b>		
Domestic Refuse:One removal per week per 240l container per month or part thereof	128.44	137.30	6.9%
Domestic Refuse:Daily Removal per 240L container per month or part thereof	770.60	823.77	6.9%
Business Refuse: One removal per week per 240l container per month or part threof	299.70	320.38	6.9%
Business Refuse:Daily removal per 240l container per month or part thereof	1,198.71	1,281.42	6.9%
Handling /Delivery Fees per container to be delivered	85.57	91.47	6.9%
Replacement of lost/damaged container (payable in advance if fault of user)	770.68	823.86	6.9%
<b>BIN LINERS</b>			
Business Refuse:one removal per week with maximum of one bin liner with a capacity of 851 per month or part thereof	112.40	120.16	6.9%
Business Refuse:two removals per week with a maximum of one bin liner with a capacityof 851 per removal per month or part thereof	78.99	84.44	6.9%

## 1.5 Operating Expenditure Framework

The following table is a high level summary of the 2016/2017 budget and MTREF (classified per main type of operating expenditure):

**Table 11 Summary of operating expenditure by standard classification item**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Expenditure By Type										
Employee related costs	441,828	485,526	536,545	576,304	582,699	582,699	582,699	655,743	669,724	702,338
Remuneration of councillors	19,019	24,074	25,254	31,225	26,882	26,882	26,882	28,764	30,202	33,222
Debt impairment	28,533	221,290	221,886	109,675	109,675	109,675	109,675	96,500	124,003	133,075
Depreciation & asset impairment	242,282	269,485	229,643	298,154	298,154	298,154	298,154	298,154	313,062	331,532
Finance charges	45,421	38,049	43,110	56,035	56,514	56,514	56,514	52,094	48,467	34,429
Bulk purchases	607,052	657,955	700,135	851,312	848,222	848,222	848,222	922,981	965,516	1,047,665
Contracted services	165,825	175,811	195,885	222,537	248,943	248,943	248,943	243,035	242,579	250,008
Transfers and grants	32,510	25,462	43,097	39,939	50,097	50,097	50,097	57,571	58,742	62,067
Other expenditure	239,810	210,321	240,076	321,133	307,131	307,131	307,131	321,165	315,074	335,523
Repairs & maintenance	69,975	69,372	66,355	86,302	83,879	83,879	83,879	107,087	111,370	117,941
Total Expenditure	1,892,255	2,177,345	2,301,986	2,592,616	2,612,196	2,612,196	2,612,196	2,783,094	2,878,739	3,047,800

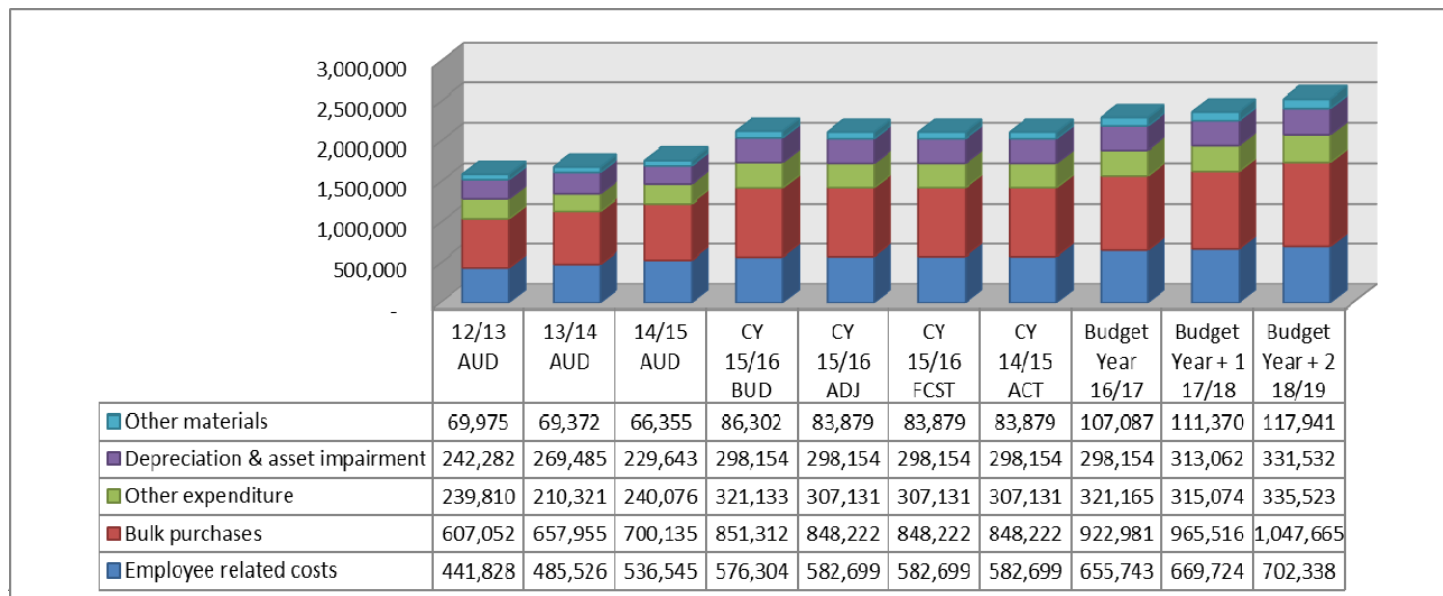
- The budgeted allocation for employee related costs for the 2016/17 financial year total R655 742 732, which equals 23 per cent of the total operating expenditure, Employee related cost overall will increase by 6.7% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:
  - 2015/16 Financial Year – an increase of 7 per cent;
  - 2016/17 Financial Year – an increase based on the average CPI percentage (5.7%) for the period 1 February 2015 until 31 January 2016, plus one percent (1%);
  - 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent
- The overall increase for employee related costs indicated an increase of 12.5 per cent, of which 6.7 percentage is for multi-year salary and wage collective agreement for the period 01 July 2015 to 30 June 2018 general increase whilst 2 per cent is notch increases and 3.8 per cent is for filling of vacancies.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.39548:15 December 2015) in this regard has been taken into account in compiling the City's budget and increase of 7% was factored in taking into consideration of increase number of councillors after 2016 elections.
- The provision of debt impairment was determined based on an annual collection rate of 97 per cent. For the 2016/17 financial year this amount equates to R54 920 450 and increased to R88 101 711 by 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R298 153 966 for the 2016/17 financial and equates to 10.67 per cent of the total operating expenditure.

- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2 per cent or R52 094 313 of operating expenditure excluding annual capital redemption of R41 747 070. Total loans acquired by the City currently stands at about R517 969 517.
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**
- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2016/17 the appropriation against this group of expenditure is R107 086 709 which is 4 per cent of the total operating expenditure and continues to remain constant at 4 per cent over the MTREF.
- Other expenditure comprises of various line items relating to the daily operations of the municipality. This expenditure category has also been identified as an area in which cost savings and efficiencies can be achieved. In the 2016/17 financial year, this group of expenditure totals R321 164 720 or 11.54 per cent of the total operating budget this includes non-cash items of about R107 630 326 (year-end provisions & municipal charges: service consumed). **Breakdown of Other Expenditures:**
  - ✓ Collection costs = R28 045 543
  - ✓ Election expenses = R1 600 000
  - ✓ Enterprise Development Program = R948 200
  - ✓ Incubator Program = R1 700 000
  - ✓ Cooperatives Initiative = R5 912 908
  - ✓ Establishment of Property Development Entity = R4 000 000
  - ✓ Settlement Fees & Legal Costs = R15 295 800
  - ✓ Transport Costs (Fuel & e-tags) = R15 352 938
  - ✓ Grants: Other Municipalities = R21 500 000
  - ✓ Telephone Costs = R10 000 000
  - ✓ Other operational expenses (including new service connections) = R95 216 999
  - ✓ **Special Projects (Political Office) = R4 132 938**
  - ✓ **Special Projects (Other Depart) = R9 829 068**
    - IGR=R56 992
    - Disability Programme = R456 327
    - Corporate Support Services=R1 322 600
    - Parks Management = R211 154
    - Sports, Arts & Recreation(Sports Awards) =R2 506 912
    - Libraries Funding by Province = R120 000
    - HIV/Aids programmes=R3 093 134
    - Social Upliftment = R190 485
    - Heritage programmes=R200 000
    - Public Safety Awareness=R118 818
    - Rural Dev. CRDP = R1 516 402
    - Enterprise Development = R36 244

**Due to cost cutting measures in terms of other expenditure which is the major cost drive a saving of R14 033 720 has been realized when compare to 2015/16 Adjustment Budget. Again when comparing the 2016/17 tabled draft budget we have identified a saving of R8 190 279. This in line with the requirement of MFMA Circular 82 - Cost Containment Measures.**

The following table gives a breakdown of the main expenditure categories for the 2016/17 financial year.

**Figure 7 Expenditure by major type for the 2016/2017 financial year**



budget and MTREF provide about 27.7 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

**Table 12 Operational repairs and maintenance**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Repairs and Maintenance by Expenditure Item										
Employee related costs	–	–	14,904	15,856	15,856	15,856	15,856	17,606	18,486	19,410
Other materials	47,210	63,681	–	78,210	78,210	78,210	78,210	91,846	95,520	101,155
Contracted Services	22,765	5,691	66,355	8,092	5,669	5,669	5,669	15,241	15,851	16,786
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	69,975	69,372	81,260	102,157	99,734	99,734	99,734	124,693	129,856	137,351

During the compilation of the 2016/2017 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2013/2014 financial year indicated an increase of 6 per cent when compared to audited outcome of 2014/15 financial year (R66 355 400). There is an improvement when one looked at the 2015/16 Adjustment budget of about 34 per cent if we can spend the whole amount of R83 878 602.

During the 2015/16 Adjustment Budget this allocation was adjusted slightly downwards by R2 422 969 or 2 per cent. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2016/17 equates to R107 086 709 increased by R23 208 108 and continues to grow at 4 per cent and 6 per cent respectively over the MTREF. In relation to the total operating expenditure budget, repairs and maintenance remains constant at 4 per cent for the respective financial years of the MTREF.

National Treasury guidelines indicate that repairs & maintenance expenditure budget should be **8 per cent of the total value of the assets**. Mogale City total value of assets is R5 391 433 881 as per 2014/15 audited outcome, which means we need R431 314 710 to fund repairs & maintenance which is unaffordable for the City especially with high increase of bulk electricity and water purchases.



The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 13 Repairs and maintenance per asset class**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework	
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation &amp; asset impairment</b>	<b>242,282</b>	<b>267,571</b>	<b>229,643</b>	<b>298,154</b>	<b>298,154</b>	<b>298,154</b>	<b>298,154</b>	<b>313,062</b>	<b>331,532</b>
<b>Repairs and Maintenance by Asset Class</b>	<b>69,975</b>	<b>69,372</b>	<b>66,355</b>	<b>86,302</b>	<b>83,879</b>	<b>83,879</b>	<b>107,087</b>	<b>111,370</b>	<b>117,941</b>
Infrastructure - Road transport	22,765	5,691	7,351	8,092	6,142	6,142	6,707	6,976	7,387
Infrastructure - Electricity	24,463	10,472	19,185	36,971	26,022	26,022	39,109	40,673	43,073
Infrastructure - Water	7,571	2,887	5,447	5,727	11,374	11,374	12,125	12,610	13,354
Infrastructure - Sanitation	10,348	9,482	9,202	9,644	15,002	15,002	16,993	17,672	18,715
Infrastructure - Other	3,555	6,039	2,998	5,115	5,203	5,203	6,414	6,671	7,064
Infrastructure	68,702	34,572	44,183	65,548	63,743	63,743	81,348	84,601	89,593
Community	6,137	6,189	6,806	7,951	8,124	8,124	9,460	9,839	10,419
Other assets	-4,864	28,612	15,366	12,803	12,012	12,012	16,279	16,930	17,929
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>312,257</b>	<b>336,943</b>	<b>295,998</b>	<b>384,456</b>	<b>382,033</b>	<b>382,033</b>	<b>405,241</b>	<b>424,432</b>	<b>449,473</b>
<i>Renewal of Existing Assets as % of total capex</i>	<i>42.5%</i>	<i>61.9%</i>	<i>36.2%</i>	<i>35.6%</i>	<i>28.9%</i>	<i>28.9%</i>	<i>27.1%</i>	<i>42.7%</i>	<i>25.3%</i>
<i>Renewal of Existing Assets as % of deprecn"</i>	<i>58.1%</i>	<i>55.9%</i>	<i>62.6%</i>	<i>35.0%</i>	<i>45.8%</i>	<i>45.8%</i>	<i>38.7%</i>	<i>33.3%</i>	<i>33.6%</i>
<i>R&amp;M as a % of PPE</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.2%</i>	<i>1.7%</i>	<i>1.6%</i>	<i>1.6%</i>	<i>2.0%</i>	<i>2.1%</i>	<i>2.1%</i>
<i>Renewal and R&amp;M as a % of PPE</i>	<i>4.0%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>3.0%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>4.0%</i>

For the 2016/17 financial year 76 per cent or R81 348 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 37 per cent (R39 109 million), followed by sanitation at 16 per cent (R16 993 million), other assets at 15 per cent (R16 279 million), water at 11 per cent (R12 125 million), community assets at 9 per cent or R9 460 million road infrastructure at 6 per cent (R6 707 million) of total repairs and maintenance.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2016/17 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 25 MBRR A10 (Basic Service Delivery Measurement) on page 51.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 14 2016/2017 Medium-term capital budget per standard classification**

	Adjusted Budget	Percentage	2016/17 Budget Year	Percentage	2017/18 Budget Year	Percentage	2018/19 Budget Year	Percentage
<b>Capital Expenditure - Standard</b>								
Executive and council	6,851	1%	1,876	0%	1,945	1%	1,925	0%
Budget and treasury office	2,074	0%	2,000	0%	-	0%	0	0%
Corporate services	1,157	0%	21,828	5%	1,000	0%	-	0%
Community and social services	15,650	3%	19,978	5%	11,010	5%	11,531	3%
Sport and recreation	23,616	5%	8,508	2%	7,497	3%	7,652	2%
Public safety	-	0%	-	0%	-	0%	0	0%
Housing	-	0%	-	0%	-	0%	0	0%
Planning and development	160,807	34%	188,412	44%	50,394	21%	49,992	11%
Road transport	55,232	12%	43,838	10%	52,923	22%	97,402	22%
Environmental protection	22,051	5%	26,428	6%	11,310	5%	8,831	2%
Electricity	45,788	10%	31,380	7%	21,000	9%	75,000	17%
Water	72,437	15%	45,900	11%	67,792	28%	98,925	22%
Waste water management	57,341	12%	23,463	6%	14,974	6%	77,895	18%
Waste management	8,960	2%	8,610	2%	4,155	2%	4,415	1%
Other	321	0%	2,748	1%	-	0%	7,100	2%
<b>Total Capital Expenditure</b>	<b>472,288</b>		<b>424,969</b>		<b>244,000</b>		<b>440,668</b>	

The table above provides a breakdown of the capital budget to be spent per standard classification. **Some of the salient projects to be undertaken over the medium-term includes, amongst others on the below table:**

<b>Desscription</b>	<b>Source of Funding</b>	<b>2016/17</b>
Construction of Housing Development Top Structure ( Dr Molefi Sefularo & Dr Nthato Motlana)	HSDG	86,752,000
NDPG Capital Grant	NDPG	46,910,000
Kagiso Cemetery Upgrading Phase 2	MIG & OWN FUNDS	8,546,162
Kagiso Regional Park Phase 2	MIG	2,846,737
Munsieville Park Development	MIG	1,946,807
Coranation Park Development	MIG	7,241,940
West Haven Cemetery	MIG	2,846,737
Luipaardsvlei Landfill Site Phase 4	MIG & OWN FUNDS	8,610,207
Burgershoop MPCC Rehabilitation & Upgrade	MIG	1,648,985
Kagiso Thusong Service Centre Renovation	MIG	3,530,780
Kagiso ECDC Upgrade & Extensions	MIG	3,000,000
Singobile ECDC Upgrade & Extensions	MIG	3,000,000
Muldersdrift Sports Complex	MIG	1,280,841
Kagiso & Azaadville Upgrade or Rehabilitation of Swimming Pools	MIG	4,745,115
PR15 Western Rural Areas Roads and Stormwater	MIG	7,339,203
PR6 Kagiso Ext 3 Roads and Stormwater	MIG	18,518,639
Magaliesburg Water Care Works Phase 1	MIG	12,118,368
Pre-Payment Water Meters Phase 3	MIG	10,000,000
Lindley WWTW Phase 1	MIG	2,000,000
Mobile Library: Munsieville & Orient Hills	SRAC	3,000,000
Purchase of Books	SRAC	4,000,000
Kagiso & Azaadville Park Gym Equipments	OWN FUNDS	2,000,000
Small Parks Development & Upgrades	OWN FUNDS	1,000,000
Chief Mogale Housing Development Top-Up	OWN FUNDS	20,000,000
Site & Services	OWN FUNDS	13,500,000
Land Acquisition for Housing Development	OWN FUNDS	19,000,000
Kagiso 1 - Elderly Service Centre Upgrade	OWN FUNDS	1,000,000
Upgrade of Johanna Botha Sports Complex	OWN FUNDS	1,000,000
Refurbishment of Offices in Bob van Reenen Stadium	OWN FUNDS	1,500,000
Factoria Capacity Upgrading Of Transmission Line Between Factoria & Libertas	OWN FUNDS	20,336,071
Spruit 1x20 MVA transformer+substation upgrade	OWN FUNDS	6,800,000
New Streetlighting - K13	OWN FUNDS	1,743,559
Ga-Mogale New Township Streetlights	OWN FUNDS	500,000
Roads Resurfacing And Rehabilitation	OWN FUNDS	11,200,000
Robert Broom Drive Widening	OWN FUNDS	4,300,000
Water Pipeline Replacement	OWN FUNDS	4,000,000
Water Management Software System	OWN FUNDS	1,500,000
Bulk Water Meters ( Water Demand Management)	OWN FUNDS	7,500,000
Millsite Outfall Sewer	OWN FUNDS	5,244,242

Furthermore pages 72 to 74 contain a detail breakdown of the capital budget per project over the medium-term.

## 1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/2017 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 15 MBRR Table A1 - Budget Summary**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	293 406	340 748	419 490	394 872	443 376	443 376	443 376	473 969	500 037	526 539
Service charges	1 068 153	1 122 800	1 223 218	1 403 834	1 352 828	1 352 828	1 352 828	1 465 067	1 621 154	1 801 240
Investment revenue	13 537	12 624	17 348	6 000	4 854	4 854	4 854	2 040	2 152	2 266
Transfers recognised - operational	239 980	238 158	250 762	274 720	274 258	274 258	274 258	298 444	339 840	375 307
Other own revenue	122 076	295 064	274 225	170 095	256 567	256 567	256 567	151 174	138 612	138 370
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 737 150</b>	<b>2 009 394</b>	<b>2 185 042</b>	<b>2 249 521</b>	<b>2 331 883</b>	<b>2 331 883</b>	<b>2 331 883</b>	<b>2 390 694</b>	<b>2 601 795</b>	<b>2 843 722</b>
Employee costs	441 828	485 486	530 545	576 304	582 699	582 699	582 699	655 743	669 724	702 338
Remuneration of councillors	19 019	24 074	25 254	31 225	26 882	26 882	26 882	28 764	30 202	3 322
Depreciation & asset impairment	242 282	267 571	229 643	298 154	298 154	298 154	298 154	298 154	313 062	331 532
Finance charges	45 421	55 300	43 110	56 035	56 514	56 514	56 514	52 094	48 467	34 429
Materials and bulk purchases	677 027	727 328	766 490	937 613	932 101	932 101	932 101	1 030 068	1 076 886	1 165 606
Transfers and grants	32 510	25 462	43 097	64 439	54 117	54 117	54 117	79 071	60 302	63 719
Other expenditure	434 167	592 125	663 848	629 304	661 729	661 729	661 729	639 200	680 096	746 853
<b>Total Expenditure</b>	<b>1 892 255</b>	<b>2 177 346</b>	<b>2 301 986</b>	<b>2 593 075</b>	<b>2 612 196</b>	<b>2 612 196</b>	<b>2 612 196</b>	<b>2 783 094</b>	<b>2 878 739</b>	<b>3 047 800</b>
<b>Surplus/(Deficit)</b>	<b>(155 104)</b>	<b>(167 952)</b>	<b>(116 944)</b>	<b>(343 554)</b>	<b>(280 313)</b>	<b>(280 313)</b>	<b>(280 313)</b>	<b>(392 400)</b>	<b>(276 944)</b>	<b>(204 078)</b>
Transfers recognised - capital	109 609	102 467	99 243	141 157	171 889	171 889	171 889	255 952	181 026	180 948
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(108 424)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(108 424)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>331 533</b>	<b>241 823</b>	<b>396 939</b>	<b>293 360</b>	<b>472 288</b>	<b>472 288</b>	<b>472 288</b>	<b>424 969</b>	<b>244 000</b>	<b>440 668</b>
Transfers recognised - capital	124 636	105 281	99 243	141 157	171 889	171 889	171 889	255 952	181 026	180 948
Public contributions & donations	-	-	1 500	8 500	87 879	87 879	87 879	-	-	-
Borrowing	167 773	23 221	202 175	37 269	67 269	67 269	67 269	2 880	-	-
Internally generated funds	39 124	113 321	94 020	106 434	145 250	145 250	145 250	166 137	62 974	259 720
<b>Total sources of capital funds</b>	<b>331 533</b>	<b>241 823</b>	<b>396 939</b>	<b>293 360</b>	<b>472 288</b>	<b>472 288</b>	<b>472 288</b>	<b>424 969</b>	<b>244 000</b>	<b>440 668</b>
<b>Financial position</b>										
Total current assets	537 806	527 002	645 327	433 189	438 860	438 860	438 860	539 920	578 887	584 347
Total non current assets	5 795 898	5 791 091	6 003 850	5 778 714	5 957 642	5 957 642	5 957 642	6 088 574	6 022 304	6 134 343
Total current liabilities	580 479	632 744	751 643	514 508	519 202	519 202	519 202	541 358	634 069	577 909
Total non current liabilities	521 183	514 319	744 946	712 127	712 127	712 127	712 127	668 924	574 652	612 814
Community wealth/Equity	5 232 042	5 171 030	5 152 589	4 985 269	5 165 173	5 165 173	5 165 173	5 418 212	5 392 470	5 527 967
<b>Cash flows</b>										
Net cash from (used) operating	207 386	262 614	250 453	282 892	214 228	214 228	214 228	273 622	367 617	468 667
Net cash from (used) investing	(323 911)	(223 553)	(398 072)	(243 360)	(333 640)	(333 640)	(333 640)	(404 969)	(244 000)	(440 668)
Net cash from (used) financing	162 914	(32 519)	216 768	(41 173)	(41 346)	(41 346)	(41 346)	(33 814)	(106 223)	(28 949)
<b>Cash/cash equivalents at the year end</b>	<b>90 163</b>	<b>96 705</b>	<b>165 853</b>	<b>217</b>	<b>5 024</b>	<b>5 024</b>	<b>5 024</b>	<b>621</b>	<b>18 015</b>	<b>17 065</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	137 271	150 639	227 461	63 776	68 583	68 583	68 583	70 414	90 600	76 529
Application of cash and investments	178 309	267 312	351 674	63 229	59 342	59 342	59 342	4 045	18 306	18 680
<b>Balance - surplus (shortfall)</b>	<b>(41 038)</b>	<b>(116 673)</b>	<b>(124 214)</b>	<b>547</b>	<b>9 241</b>	<b>9 241</b>	<b>9 241</b>	<b>66 369</b>	<b>72 294</b>	<b>57 848</b>
<b>Asset management</b>										
Asset register summary (WDV)	5 748 171	5 736 537	5 940 687	5 715 155	5 894 082	5 894 082	6 018 781	6 018 781	5 949 720	6 058 855
Depreciation & asset impairment	242 282	267 571	229 643	298 154	298 154	298 154	298 154	298 154	313 062	331 532
Renewal of Existing Assets	140 819	149 664	143 807	104 319	136 573	136 573	136 573	115 284	104 117	111 284
Repairs and Maintenance	69 975	69 372	66 355	86 302	83 879	83 879	107 087	107 087	111 370	117 941
<b>Free services</b>										
Cost of Free Basic Services provided	96 200	2 018	69 391	126 318	126 318	126 318	133 897	133 897	141 931	150 014
Revenue cost of free services provided	166 085	179 704	209 196	187 711	214 454	214 454	214 504	214 504	229 317	241 896
<b>Households below minimum service level</b>										
Water:	5	8	10	8	8	8	8	8	7	8
Sanitation/sewerage:	1	7	6	5	5	5	5	5	4	5
Energy:	6	6	6	11	11	11	10	10	9	9
Refuse:	-	24	24	22	22	22	21	21	20	21

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		357 856	469 837	568 824	483 796	539 561	539 561	567 523	602 481	636 668
Executive and council		1 776	3 149	3 347	4 646	2 820	2 820	4 876	5 245	5 555
Budget and treasury office		349 993	452 905	556 506	473 941	530 940	530 940	556 523	590 745	624 278
Corporate services		6 087	13 783	8 971	5 210	5 802	5 802	6 124	6 491	6 835
<i>Community and public safety</i>		155 902	269 610	241 319	194 075	205 011	205 011	189 492	171 156	184 463
Community and social services		124 525	79 298	89 139	97 819	106 590	106 590	120 050	126 587	137 735
Sport and recreation		20 208	19 659	16 429	22 181	20 609	20 609	18 600	11 875	12 302
Public safety		11 089	170 593	135 698	24 017	27 762	27 762	30 789	32 637	34 366
Housing		80	60	54	50 059	50 051	50 051	20 053	57	60
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		76 510	77 737	70 413	70 399	187 271	187 271	187 933	99 929	102 342
Planning and development		4 175	16 095	15 791	47 212	132 693	132 693	137 314	45 592	44 857
Road transport		66 325	60 880	54 483	22 907	54 578	54 578	50 619	54 337	57 485
Environmental protection		6 010	762	138	281	-	-	-	-	-
<i>Trading services</i>		1 256 479	1 294 678	1 403 718	1 642 406	1 571 929	1 571 929	1 701 699	1 900 582	2 091 985
Electricity		751 573	762 267	821 986	962 963	909 083	909 083	963 076	1 079 869	1 210 342
Water		203 559	223 700	238 918	288 256	293 526	293 526	317 995	371 801	407 811
Waste water management		155 275	144 789	175 874	181 883	189 052	189 052	228 134	243 218	252 912
Waste management		146 071	163 921	166 940	209 304	180 268	180 268	192 494	205 694	220 920
<i>Other</i>	4	13	-	12	-	-	-	-	8 673	9 211
<b>Total Revenue - Standard</b>	2	1 846 760	2 111 861	2 284 285	2 390 677	2 503 772	2 503 772	2 646 646	2 782 821	3 024 670
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		515 546	513 446	611 222	627 978	636 032	636 032	678 096	659 635	674 216
Executive and council		64 192	79 969	85 736	119 851	102 975	102 975	117 090	101 786	108 757
Budget and treasury office		283 099	240 871	328 780	270 020	288 241	288 241	295 028	306 190	299 485
Corporate services		168 255	192 607	196 705	238 107	244 816	244 816	265 978	251 659	265 973
<i>Community and public safety</i>		221 622	387 582	359 972	350 342	371 868	371 868	391 379	410 772	431 904
Community and social services		37 588	42 474	43 254	61 542	64 742	64 742	74 635	80 389	83 923
Sport and recreation		66 166	83 341	98 545	96 851	100 712	100 712	105 985	110 766	116 944
Public safety		110 481	253 375	209 688	182 493	192 689	192 689	198 499	206 856	217 568
Housing		7 148	8 094	8 254	9 186	13 458	13 458	11 971	12 447	13 124
Health		238	298	230	270	268	268	288	314	344
<i>Economic and environmental services</i>		202 227	178 048	176 717	240 690	232 175	232 175	238 110	248 812	262 896
Planning and development		25 187	26 794	33 109	49 406	42 004	42 004	40 162	41 482	43 651
Road transport		170 234	149 017	142 578	188 921	188 207	188 207	195 651	204 938	216 712
Environmental protection		6 806	2 237	1 030	2 363	1 965	1 965	2 296	2 392	2 533
<i>Trading services</i>		952 250	1 097 463	1 152 182	1 373 291	1 370 284	1 370 284	1 471 921	1 555 789	1 674 861
Electricity		553 218	624 849	627 995	782 154	771 639	771 639	835 287	887 842	967 244
Water		237 615	268 775	293 647	328 676	337 418	337 418	361 221	378 875	401 726
Waste water management		65 757	79 201	87 508	113 491	116 334	116 334	124 025	131 715	139 983
Waste management		95 660	124 638	143 031	148 970	144 893	144 893	151 388	157 357	165 907
<i>Other</i>	4	610	807	1 894	773	1 836	1 836	3 588	3 730	3 923
<b>Total Expenditure - Standard</b>	3	1 892 255	2 177 346	2 301 986	2 593 075	2 612 196	2 612 196	2 783 094	2 878 739	3 047 800
<b>Surplus/(Deficit) for the year</b>		(45 495)	(65 485)	(17 701)	(202 397)	(108 423)	(108 423)	(136 448)	(95 918)	(23 130)

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions such as that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

**Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - POLITICAL OFFICE		2	953	641	-	735	735	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		-	-	909	-	-	-	-	-	-
Vote 3 - CHIEF OPERATING OFFICER		1 774	2 196	1 797	4 646	2 085	2 085	4 876	5 245	5 555
Vote 4 - CORPORATE SUPPORT SERVICES		5 194	13 715	8 935	5 272	5 852	5 852	6 177	6 548	6 895
Vote 5 - MUNICIPAL FINANCIAL SERVICES		349 993	452 905	556 506	473 941	524 273	524 273	556 523	590 745	624 278
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		175 520	176 423	184 425	192 947	194 007	194 007	214 315	217 252	233 171
Vote 7 - SOCIAL SERVICES		157 314	279 199	246 254	153 929	163 638	163 638	170 049	183 317	197 189
Vote 8 - ECONOMIC SERVICES		4 300	16 201	15 935	97 306	182 795	182 795	157 422	54 380	54 189
Vote 9 - INFRASTRUCTURE SERVICES		1 152 661	1 170 269	1 268 884	1 462 636	1 430 388	1 430 388	1 537 285	1 725 334	1 903 393
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>1 846 760</b>	<b>2 111 861</b>	<b>2 284 285</b>	<b>2 390 677</b>	<b>2 503 772</b>	<b>2 503 772</b>	<b>2 646 646</b>	<b>2 782 821</b>	<b>3 024 670</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - POLITICAL OFFICE		48 744	58 491	61 989	68 904	72 641	72 641	66 977	70 079	75 279
Vote 2 - MUNICIPAL MANAGERS OFFICE		9 630	13 389	14 843	39 422	20 305	20 305	40 185	21 135	22 239
Vote 3 - CHIEF OPERATING OFFICER		13 498	11 566	18 952	22 096	20 875	20 875	19 478	20 553	21 761
Vote 4 - CORPORATE SUPPORT SERVICES		118 870	122 622	144 089	182 318	191 224	191 224	202 090	184 501	194 861
Vote 5 - MUNICIPAL FINANCIAL SERVICES		283 099	240 870	328 781	270 020	286 089	286 089	295 028	306 190	299 485
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		153 531	178 974	197 905	215 519	212 488	212 488	220 904	229 764	242 316
Vote 7 - SOCIAL SERVICES		201 584	353 971	316 160	293 939	310 057	310 057	339 070	356 547	374 605
Vote 8 - ECONOMIC SERVICES		32 292	35 664	42 898	58 448	56 882	56 882	56 250	58 219	61 282
Vote 9 - INFRASTRUCTURE SERVICES		1 031 007	1 161 799	1 176 371	1 442 409	1 441 635	1 441 635	1 543 112	1 631 749	1 755 970
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>1 892 255</b>	<b>2 177 346</b>	<b>2 301 986</b>	<b>2 593 075</b>	<b>2 612 196</b>	<b>2 612 196</b>	<b>2 783 094</b>	<b>2 878 739</b>	<b>3 047 800</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>



### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

**Table 18 Surplus/ (Deficit) calculations for the trading services**

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>									
Electricity									
Total Revenue (Inc capital grants and transfers)	751 573	762 267	821 986	962 963	909 083	909 083	963 076	1 079 869	1 210 342
Operating Expenditure	553 218	624 849	627 995	782 154	771 639	771 639	835 287	887 842	967 244
<b>Surplus / (Deficit) for the year</b>	<b>198 355</b>	<b>137 418</b>	<b>193 991</b>	<b>180 809</b>	<b>137 444</b>	<b>137 444</b>	<b>127 789</b>	<b>192 027</b>	<b>243 098</b>
<b>Percentage Surplus</b>	<b>26%</b>	<b>18%</b>	<b>24%</b>	<b>19%</b>	<b>15%</b>	<b>15%</b>	<b>13%</b>	<b>18%</b>	<b>20%</b>
Water:									
Total Revenue (Inc capital grants and transfers)	203 559	223 700	238 918	288 256	293 526	293 526	317 995	371 801	407 811
Operating Expenditure	237 615	268 775	293 647	328 676	337 418	337 418	361 221	378 875	401 726
<b>Surplus / (Deficit) for the year</b>	<b>-34 056</b>	<b>-45 075</b>	<b>-54 729</b>	<b>-40 420</b>	<b>-43 892</b>	<b>-43 892</b>	<b>-43 226</b>	<b>-7 074</b>	<b>6 085</b>
<b>Percentage Surplus</b>	<b>-17%</b>	<b>-20%</b>	<b>-23%</b>	<b>-14%</b>	<b>-15%</b>	<b>-15%</b>	<b>-14%</b>	<b>-2%</b>	<b>1%</b>

3. The electricity trading surplus is increasing over the 2016/17 MTREF from 13 per cent or R127 788 million in 2016/17 financial year to 20 per cent during 2018/19. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years from 26 per cent during 2012/13 to 20 per cent in 2018/19.
4. Water has experienced a deficit from 2012/13 of about 17 per cent and decreases to 1 per cent during 2018/19.
5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

**Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>											
Property rates	2	272 542	308 723	394 495	368 044	420 617	420 617	420 617	449 640	474 370	499 512
Property rates - penalties & collection charges		20 863	32 026	24 995	26 828	22 759	22 759	22 759	24 329	25 667	27 027
Service charges - electricity revenue	2	695 834	723 268	775 086	904 354	844 987	844 987	844 987	902 338	1 013 302	1 145 011
Service charges - water revenue	2	187 182	193 741	216 547	257 065	260 054	260 054	260 054	291 001	320 101	352 111
Service charges - sanitation revenue	2	94 007	105 155	127 551	132 037	136 912	136 912	136 912	153 205	162 603	172 338
Service charges - refuse revenue	2	91 131	100 636	104 034	110 378	110 874	110 874	110 874	118 524	125 147	131 780
Service charges - other		-	-	-							
Rental of facilities and equipment		2 821	2 969	3 366	3 447	3 250	3 250	3 250	3 446	3 652	3 846
Interest earned - external investments		13 537	12 624	17 348	6 000	4 854	4 854	4 854	2 040	2 152	2 266
Interest earned - outstanding debtors		10 349	14 518	22 291	34 237	39 157	39 157	39 157	41 507	43 997	46 329
Dividends received		-	34	19		-	-	-	-	-	-
Fines		10 469	170 003	134 577	23 522	27 000	27 000	27 000	30 000	31 800	33 485
Licences and permits		17	28	19	23	28	28	28	29	31	33
Agency services		24 950	21 408	22 184	22 692	22 184	22 184	22 184	22 184	23 515	24 762
Transfers recognised - operational		239 980	238 158	250 762	274 720	274 258	274 258	274 258	298 444	339 840	375 307
Other revenue	2	73 366	79 792	89 221	36 173	114 948	114 948	114 948	34 008	35 616	29 915
Gains on disposal of PPE		104	6 311	2 548	50 000	50 000	50 000	50 000	20 000	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 737 150</b>	<b>2 009 394</b>	<b>2 185 042</b>	<b>2 249 521</b>	<b>2 331 883</b>	<b>2 331 883</b>	<b>2 331 883</b>	<b>2 390 694</b>	<b>2 601 795</b>	<b>2 843 722</b>
<b>Expenditure By Type</b>											
Employee related costs	2	441 828	485 486	530 545	576 304	582 699	582 699	582 699	655 743	669 724	702 338
Remuneration of councillors		19 019	24 074	25 254	31 225	26 882	26 882	26 882	28 764	30 202	3 322
Debt impairment	3	28 533	221 318	227 075	109 675	109 675	109 675	109 675	96 500	124 003	133 075
Depreciation & asset impairment	2	242 282	267 571	229 643	298 154	298 154	298 154	298 154	298 154	313 062	331 532
Finance charges		45 421	55 300	43 110	56 035	56 514	56 514	56 514	52 094	48 467	34 429
Bulk purchases	2	607 052	657 955	700 135	851 312	848 222	848 222	848 222	922 981	965 516	1 047 665
Other materials	8	69 975	69 372	66 355	86 302	83 879	83 879	83 879	107 087	111 370	117 941
Contracted services		165 825	175 811	195 885	220 309	246 714	246 714	246 714	243 035	242 579	250 008
Transfers and grants		32 510	25 462	43 097	64 439	54 117	54 117	54 117	79 071	60 302	63 719
Other expenditure	4, 5	239 809	194 996	240 888	299 320	305 339	305 339	305 339	299 665	313 514	363 771
Loss on disposal of PPE											
<b>Total Expenditure</b>		<b>1 892 255</b>	<b>2 177 346</b>	<b>2 301 986</b>	<b>2 593 075</b>	<b>2 612 196</b>	<b>2 612 196</b>	<b>2 612 196</b>	<b>2 783 094</b>	<b>2 878 739</b>	<b>3 047 800</b>
<b>Surplus/(Deficit)</b>		<b>(155 104)</b>	<b>(167 952)</b>	<b>(116 944)</b>	<b>(343 554)</b>	<b>(280 313)</b>	<b>(280 313)</b>	<b>(280 313)</b>	<b>(392 400)</b>	<b>(276 944)</b>	<b>(204 078)</b>
Transfers recognised - capital		109 609	102 467	99 243	141 157	171 889	171 889	171 889	255 952	181 026	180 948
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(108 424)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(108 424)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(108 424)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>(45 495)</b>	<b>(65 485)</b>	<b>(17 701)</b>	<b>(202 397)</b>	<b>(108 423)</b>	<b>(108 423)</b>	<b>(108 424)</b>	<b>(136 448)</b>	<b>(95 918)</b>	<b>(23 130)</b>

### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfers is R2.4 billion in 2016/17 and escalates to R2.8 billion by 2018/19. This represents a year-on-year increase of 2.52 per cent for the 2016/17 financial year and increases to 18.28 per cent for the 2018/19 financial year.
2. Revenue to be generated from property rates is R449 640 million or increase of 6.9 per cent during 2016/17 financial year and increases to R499 512 million by 2018/19 which represents 11 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.5 billion for the 2016/17 financial year and increasing to R1.8 billion by 2018/19. For the 2016/17 financial year services charges amount to 61 per cent of the total revenue base and grows by 23 per cent per annum over the medium-term. This growth can mainly be attributed to the high increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are remaining constant over the MTREF at 13 per cent on the total revenue respectively.

5. The following graph illustrates the major expenditure items per type.

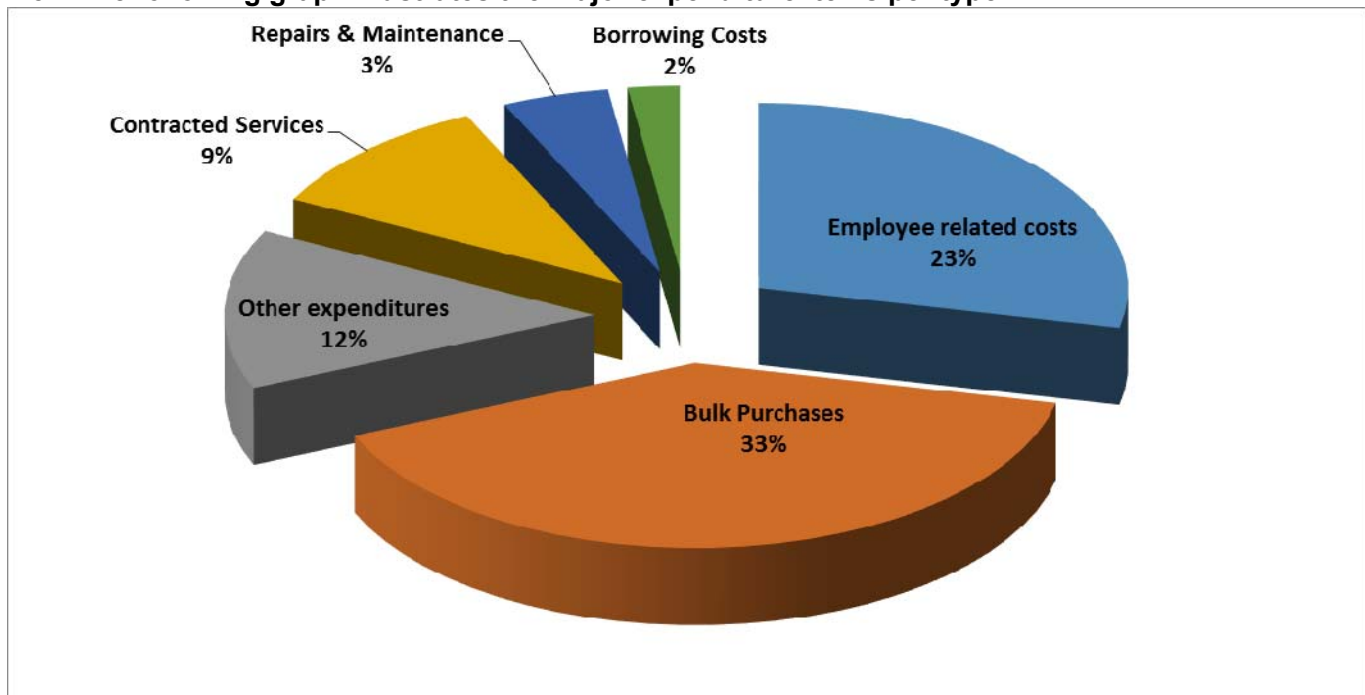
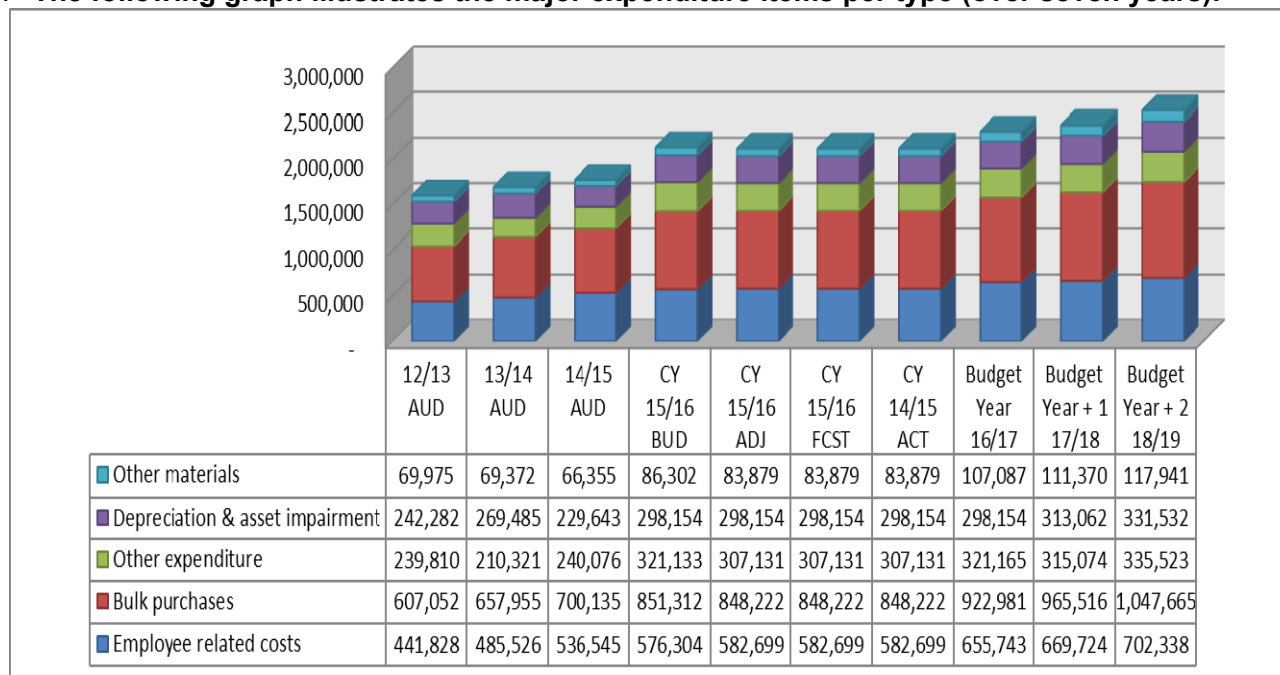


Figure 8 Expenditure by major type

6. Bulk purchases have significantly increased from 2012/13 to 2016/17 period escalating from R607 052 million to R922 981 million an **increase of 52 per cent** by Eskom and Rand Water over seven years.
7. Employee related costs, bulk purchases, other expenditure and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
8. **The following graph illustrates the major expenditure items per type (over seven years).**



**Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure - to be appropriated</b>	<b>2</b>										
Vote 1 - POLITICAL OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 3 - CHIEF OPERATING OFFICER		-	124	5	1 000	30	30	30	1 876	1 945	1 925
Vote 4 - CORPORATE SUPPORT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - MUNICIPAL FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		23 708	17 169	34 561	25 088	22 560	22 560	22 560	18 699	12 465	13 246
Vote 7 - SOCIAL SERVICES		7 562	24 863	10 379	19 836	15 324	15 324	15 324	12 300	18 507	19 183
Vote 8 - ECONOMIC SERVICES		24 763	10 011	12 553	67 260	152 907	152 907	152 907	46 910	50 394	49 992
Vote 9 - INFRASTRUCTURE SERVICES		202 191	156 714	235 223	132 557	202 815	202 815	202 815	78 854	156 689	172 126
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>258 224</b>	<b>208 881</b>	<b>292 721</b>	<b>245 740</b>	<b>393 636</b>	<b>393 636</b>	<b>393 636</b>	<b>158 639</b>	<b>240 000</b>	<b>256 472</b>
<b>Single-year expenditure - to be appropriated</b>	<b>2</b>										
Vote 1 - POLITICAL OFFICE		239	611	357	-	700	700	700	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		79	-	920	-	100	100	100	-	-	-
Vote 3 - CHIEF OPERATING OFFICER		2	1	168	-	-	-	-	-	-	-
Vote 4 - CORPORATE SUPPORT SERVICES		3 750	2 802	23 923	930	7 179	7 179	7 179	21 828	1 000	-
Vote 5 - MUNICIPAL FINANCIAL SERVICES		826	1 436	2 791	1 000	2 074	2 074	2 074	2 000	-	-
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		2 976	2 831	14 069	4 152	8 452	8 452	8 452	16 340	3 000	-
Vote 7 - SOCIAL SERVICES		32 320	17 104	13 097	16 038	23 942	23 942	23 942	16 186	-	-
Vote 8 - ECONOMIC SERVICES		521	-	17 659	6 000	7 900	7 900	7 900	141 502	-	-
Vote 9 - INFRASTRUCTURE SERVICES		32 597	8 158	31 235	19 500	28 305	28 305	28 305	68 474	-	184 196
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>73 309</b>	<b>32 943</b>	<b>104 218</b>	<b>47 620</b>	<b>78 652</b>	<b>78 652</b>	<b>78 652</b>	<b>266 330</b>	<b>4 000</b>	<b>184 196</b>
<b>Total Capital Expenditure - Vote</b>		<b>331 533</b>	<b>241 823</b>	<b>396 939</b>	<b>293 360</b>	<b>472 288</b>	<b>472 288</b>	<b>472 288</b>	<b>424 969</b>	<b>244 000</b>	<b>440 668</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>4 895</b>	<b>4 974</b>	<b>28 163</b>	<b>2 930</b>	<b>10 083</b>	<b>10 083</b>	<b>10 083</b>	<b>25 703</b>	<b>2 945</b>	<b>1 925</b>
Executive and council		2 859	3 176	24 186	1 000	6 851	6 851	6 851	1 876	1 945	1 925
Budget and treasury office		881	1 436	2 791	1 000	2 074	2 074	2 074	2 000	-	-
Corporate services		1 155	362	1 186	930	1 157	1 157	1 157	21 828	1 000	-
<b>Community and public safety</b>		<b>39 907</b>	<b>41 967</b>	<b>23 476</b>	<b>35 874</b>	<b>39 266</b>	<b>39 266</b>	<b>39 266</b>	<b>28 486</b>	<b>18 507</b>	<b>19 183</b>
Community and social services		26 177	5 346	5 678	12 272	15 650	15 650	15 650	19 978	11 010	11 531
Sport and recreation		8 460	36 596	17 623	23 602	23 616	23 616	23 616	8 508	7 497	7 652
Public safety		5 244	25	174							
Housing		26									
Health											
<b>Economic and environmental services</b>		<b>95 554</b>	<b>73 562</b>	<b>130 605</b>	<b>149 240</b>	<b>238 091</b>	<b>238 091</b>	<b>238 091</b>	<b>258 679</b>	<b>114 627</b>	<b>156 225</b>
Planning and development		25 258	10 011	44 711	73 260	160 807	160 807	160 807	188 412	50 394	49 992
Road transport		49 011	52 214	62 449	58 001	55 232	55 232	55 232	43 838	52 923	97 402
Environmental protection		21 284	11 336	23 446	17 979	22 051	22 051	22 051	26 428	11 310	8 831
<b>Trading services</b>		<b>183 383</b>	<b>117 909</b>	<b>209 974</b>	<b>105 316</b>	<b>184 527</b>	<b>184 527</b>	<b>184 527</b>	<b>109 352</b>	<b>107 921</b>	<b>256 235</b>
Electricity		96 073	54 491	82 315	37 236	45 788	45 788	45 788	31 380	21 000	75 000
Water		22 459	29 447	87 634	33 401	72 437	72 437	72 437	45 900	67 792	98 925
Waste water management		59 452	25 307	29 340	23 419	57 341	57 341	57 341	23 463	14 974	77 895
Waste management		5 400	8 664	10 686	11 260	8 960	8 960	8 960	8 610	4 155	4 415
<b>Other</b>		<b>7 793</b>	<b>3 412</b>	<b>4 721</b>		<b>321</b>	<b>321</b>	<b>321</b>	<b>2 748</b>	<b>-</b>	<b>7 100</b>
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>331 533</b>	<b>241 823</b>	<b>396 939</b>	<b>293 360</b>	<b>472 288</b>	<b>472 288</b>	<b>472 288</b>	<b>424 969</b>	<b>244 000</b>	<b>440 668</b>
<b>Funded by:</b>											
National Government		105 073	99 782	95 478	136 636	157 474	157 474	157 474	161 424	178 326	178 248
Provincial Government		18 663	3 314	3 765	4 521	7 749	7 749	7 749	94 528	2 700	2 700
District Municipality		900	2 185			6 667	6 667	6 667			
Other transfers and grants											
<b>Transfers recognised - capital</b>	<b>4</b>	<b>124 636</b>	<b>105 281</b>	<b>99 243</b>	<b>141 157</b>	<b>171 889</b>	<b>171 889</b>	<b>171 889</b>	<b>255 952</b>	<b>181 026</b>	<b>180 948</b>
<b>Public contributions &amp; donations</b>	<b>5</b>			<b>1 500</b>	<b>8 500</b>	<b>87 879</b>	<b>87 879</b>	<b>87 879</b>			
<b>Borrowing</b>	<b>6</b>	<b>167 773</b>	<b>23 221</b>	<b>202 175</b>	<b>37 269</b>	<b>67 269</b>	<b>67 269</b>	<b>67 269</b>	<b>2 880</b>		
<b>Internally generated funds</b>		<b>39 124</b>	<b>113 321</b>	<b>94 020</b>	<b>106 434</b>	<b>145 250</b>	<b>145 250</b>	<b>145 250</b>	<b>166 137</b>	<b>62 974</b>	<b>259 720</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>331 533</b>	<b>241 823</b>	<b>396 939</b>	<b>293 360</b>	<b>472 288</b>	<b>472 288</b>	<b>472 288</b>	<b>424 969</b>	<b>244 000</b>	<b>440 668</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17, R158 639 million has been allocated to capital budget of which R129 437 million is funded from own generated revenue representing 39 per cent of the total capital budget. This allocation increases to R240 000 million during 2017/18 and then increases to R256 472 million during 2018/19.
3. Single-year capital expenditure has been appropriated at R266 330 million for the 2016/17 financial year and decreases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national & provincial grants, internally generated funds to be raised during 2016/17 financial year and DBSA loan roll-over from 2014/15 FY. For 2016/17, capital transfers totals R255 952 million or 60 per cent and decreases to R180 948 million by 2018/19 (41 per cent). Internally generated funding during 2016/17 is appropriated to R166 137 million or 39 per cent of total capital budget, then Approved budget are R62 974 million and R259 720 million for each of the respective financial years of the MTREF.

**Table 21 MBRR Table A6 - Budgeted Financial Position**

GT481 Mogale City - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		33 422	27 232	31 209	217	5 024	5 024	5 024	621	18 015	17 065
Call investment deposits	1	56 742	69 473	134 644	–	–	–	–	–	–	–
Consumer debtors	1	394 029	360 807	464 122	362 222	362 222	362 222	362 222	464 122	482 687	501 995
Other debtors		42 451	55 433	192	56 455	56 455	56 455	56 455	56 455	58 714	61 062
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	11 163	14 058	15 159	14 295	15 159	15 159	15 159	18 721	19 470	20 249
<b>Total current assets</b>		<b>537 806</b>	<b>527 002</b>	<b>645 327</b>	<b>433 189</b>	<b>438 860</b>	<b>438 860</b>	<b>438 860</b>	<b>539 920</b>	<b>578 887</b>	<b>600 371</b>
<b>Non current assets</b>											
Long-term receivables											
Investments		47 108	53 935	61 608	63 559	63 559	63 559	63 559	69 793	72 584	75 488
Investment property		480 517	502 512	528 388	502 512	504 512	504 512	504 512	523 512	523 512	523 512
Investment in Associate											
Property, plant and equipment	3	5 266 511	5 229 164	5 391 434	5 195 906	5 372 602	5 372 602	5 372 602	5 472 643	5 403 581	5 512 717
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		1 143	4 860	20 865	16 737	16 968	16 968	16 968	22 626	22 626	22 626
Other non-current assets		620	620	1 556	–	–	–	–	–	–	–
<b>Total non current assets</b>		<b>5 795 898</b>	<b>5 791 091</b>	<b>6 003 850</b>	<b>5 778 714</b>	<b>5 957 642</b>	<b>5 957 642</b>	<b>5 957 642</b>	<b>6 088 574</b>	<b>6 022 304</b>	<b>6 134 343</b>
<b>TOTAL ASSETS</b>		<b>6 333 705</b>	<b>6 318 093</b>	<b>6 649 177</b>	<b>6 211 903</b>	<b>6 396 502</b>	<b>6 396 502</b>	<b>6 396 502</b>	<b>6 628 494</b>	<b>6 601 190</b>	<b>6 734 714</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	21 945	23 154	41 346	33 684	33 684	33 684	33 684	33 814	106 223	28 949
Consumer deposits		39 458	45 609	50 542	46 667	50 542	50 542	50 542	63 307	65 839	68 473
Trade and other payables	4	509 300	551 967	645 670	420 891	420 891	420 891	420 891	430 152	447 358	465 253
Provisions		9 776	12 013	14 085	13 266	14 085	14 085	14 085	14 085	14 648	15 234
<b>Total current liabilities</b>		<b>580 479</b>	<b>632 744</b>	<b>751 643</b>	<b>514 508</b>	<b>519 202</b>	<b>519 202</b>	<b>519 202</b>	<b>541 358</b>	<b>634 069</b>	<b>577 909</b>
<b>Non current liabilities</b>											
Borrowing		346 623	321 818	519 153	517 140	517 140	517 140	517 140	443 132	339 828	368 598
Provisions		174 561	192 501	225 792	194 987	194 987	194 987	194 987	225 792	234 824	244 217
<b>Total non current liabilities</b>		<b>521 183</b>	<b>514 319</b>	<b>744 946</b>	<b>712 127</b>	<b>712 127</b>	<b>712 127</b>	<b>712 127</b>	<b>668 924</b>	<b>574 652</b>	<b>612 814</b>
<b>TOTAL LIABILITIES</b>		<b>1 101 662</b>	<b>1 147 063</b>	<b>1 496 588</b>	<b>1 226 634</b>	<b>1 231 328</b>	<b>1 231 328</b>	<b>1 231 328</b>	<b>1 210 282</b>	<b>1 208 721</b>	<b>1 190 723</b>
<b>NET ASSETS</b>	5	<b>5 232 042</b>	<b>5 171 030</b>	<b>5 152 589</b>	<b>4 985 269</b>	<b>5 165 173</b>	<b>5 165 173</b>	<b>5 165 173</b>	<b>5 418 212</b>	<b>5 392 470</b>	<b>5 543 991</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		5 225 813	5 162 150	5 142 198	4 974 290	5 154 194	5 154 194	5 154 194	5 406 484	5 380 273	5 531 306
Reserves	4	6 229	8 880	10 391	10 979	10 979	10 979	10 979	11 728	12 197	12 685
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>5 232 042</b>	<b>5 171 030</b>	<b>5 152 589</b>	<b>4 985 269</b>	<b>5 165 173</b>	<b>5 165 173</b>	<b>5 165 173</b>	<b>5 418 212</b>	<b>5 392 470</b>	<b>5 543 991</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash

position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.



**Table 22 MBRR Table A7 - Budgeted Cash Flow Statement**

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		322 147	344 658	370 073	380 150	425 641	425 641	425 641	459 750	485 036	510 743
Service charges		906 390	945 132	1 032 472	1 350 542	1 302 078	1 302 078	1 302 078	1 430 843	1 582 527	1 750 525
Other revenue		88 261	183 623	121 678	194 402	283 756	283 756	283 756	137 492	87 408	92 041
Government - operating	1	224 377	238 357	266 401	274 720	274 258	274 258	274 258	298 444	339 840	375 307
Government - capital	1	120 383	102 467	99 243	141 157	151 919	151 919	151 919	255 952	181 026	180 948
Interest		23 886	12 624	17 329	40 237	44 011	44 011	44 011	43 547	46 149	48 595
Dividends			34	19					-	-	-
<b>Payments</b>											
Suppliers and employees		(1 400 128)	(1 526 233)	(1 613 651)	(1 977 841)	(2 156 324)	(2 156 324)	(2 156 324)	(2 221 240)	(2 245 600)	(2 391 344)
Finance charges		(45 421)	(38 049)	(43 110)	(56 035)	(56 514)	(56 514)	(56 514)	(52 094)	(48 467)	(34 429)
Transfers and Grants	1	(32 510)		-	(64 439)	(54 597)	(54 597)	(54 597)	(79 071)	(60 302)	(63 719)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>207 386</b>	<b>262 614</b>	<b>250 453</b>	<b>282 892</b>	<b>214 228</b>	<b>214 228</b>	<b>214 228</b>	<b>273 622</b>	<b>367 617</b>	<b>468 667</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-		50 000	50 000	50 000	50 000	20 000	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (Increase) other non-current receivables									-	-	-
Decrease (Increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(323 911)	(223 553)	(398 072)	(293 360)	(383 640)	(383 640)	(383 640)	(424 969)	(244 000)	(440 668)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(323 911)</b>	<b>(223 553)</b>	<b>(398 072)</b>	<b>(243 360)</b>	<b>(333 640)</b>	<b>(333 640)</b>	<b>(333 640)</b>	<b>(404 969)</b>	<b>(244 000)</b>	<b>(440 668)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing		190 994	-	239 500					-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing		(28 080)	(32 519)	(22 732)	(41 173)	(41 346)	(41 346)	(41 346)	(33 814)	(106 223)	(28 949)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>162 914</b>	<b>(32 519)</b>	<b>216 768</b>	<b>(41 173)</b>	<b>(41 346)</b>	<b>(41 346)</b>	<b>(41 346)</b>	<b>(33 814)</b>	<b>(106 223)</b>	<b>(28 949)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>46 388</b>	<b>6 541</b>	<b>69 149</b>	<b>(1 641)</b>	<b>(160 758)</b>	<b>(160 758)</b>	<b>(160 758)</b>	<b>(165 161)</b>	<b>17 394</b>	<b>(950)</b>
Cash/cash equivalents at the year begin:	2	<b>43 775</b>	<b>90 163</b>	<b>96 705</b>	<b>1 858</b>	<b>165 782</b>	<b>165 782</b>	<b>165 782</b>	<b>165 782</b>	<b>621</b>	<b>18 015</b>
Cash/cash equivalents at the year end:	2	<b>90 163</b>	<b>96 705</b>	<b>165 853</b>	<b>217</b>	<b>5 024</b>	<b>5 024</b>	<b>5 024</b>	<b>621</b>	<b>18 015</b>	<b>17 065</b>

**Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	90 163	96 705	165 853	217	5 024	5 024	5 024	621	18 015	17 065
Other current investments > 90 days		0	0	0	0	0	0	0	-	-	-
Non current assets - Investments	1	47 108	53 935	61 608	63 559	63 559	63 559	63 559	69 793	72 584	75 488
<b>Cash and investments available:</b>		<b>137 271</b>	<b>150 639</b>	<b>227 461</b>	<b>63 776</b>	<b>68 583</b>	<b>68 583</b>	<b>68 583</b>	<b>70 414</b>	<b>90 600</b>	<b>92 553</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		7 984	8 183	23 823	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	70 832	70 446	61 136	65 446	61 136	61 136	61 136	79 075	82 238	85 527
Other working capital requirements	3	43 059	123 338	191 024	(78 991)	(79 438)	(79 438)	(79 438)	(158 908)	(151 164)	(157 569)
Other provisions		9 776	12 013	14 085	13 215	14 085	14 085	14 085	14 085	14 648	15 234
Long term investments committed	4	46 659	53 332	61 608	63 559	63 559	63 559	63 559	69 793	72 584	75 488
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>178 309</b>	<b>267 312</b>	<b>351 674</b>	<b>63 229</b>	<b>59 342</b>	<b>59 342</b>	<b>59 342</b>	<b>4 045</b>	<b>18 306</b>	<b>18 680</b>
<b>Surplus(shortfall)</b>		<b>(41 038)</b>	<b>(116 673)</b>	<b>(124 214)</b>	<b>547</b>	<b>9 241</b>	<b>9 241</b>	<b>9 241</b>	<b>66 369</b>	<b>72 294</b>	<b>73 873</b>

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2015/16 mid-year review and Adjustment Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a surplus of R621k and as at the end of the 2016/17 financial year project and increases to R17 065 million by 2018/19.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that from 2012/13 to 2014/15 audited outcome indicated a shortfall of R41 038 million and increases to R124 214 million during 2014/15, this has put pressure in our cash flow for about 3 years. The projection for 2016/17 indicates a surplus of R66 369 million increasing over the MTREF to R73 873 million.
5. The objective for the final approval budget for the 2016/17 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

Table 24 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	190,714	92,159	253,131	189,041	335,714	335,714	309,685	139,883	329,384
Infrastructure - Road transport		8,536	1,512	41,653	43,001	39,632	39,632	31,638	29,923	82,752
Infrastructure - Electricity		96,073	54,468	72,461	25,400	41,175	41,175	10,044	-	53,000
Infrastructure - Water		20,623	7,674	30,274	30,401	31,410	31,410	20,400	32,792	38,425
Infrastructure - Sanitation		-	5,113	13,622	4,000	30,244	30,244	21,363	14,974	66,565
Infrastructure - Other		753	-	-	-	-	-	-	-	-
Infrastructure		125,984	68,767	158,010	102,802	142,461	142,461	83,444	77,689	240,742
Community		30,061	7,826	19,592	10,049	13,017	13,017	12,623	18,528	22,326
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	34,239	12,824	57,170	75,260	176,075	176,075	197,791	43,666	66,316
Agricultural Assets		-	-	57	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		430	2,742	18,302	930	4,161	4,161	15,826	-	-
<b>Total Renewal of Existing Assets</b>	2	140,819	149,664	143,807	104,319	136,573	136,573	115,284	104,117	111,284
Infrastructure - Road transport		40,476	50,702	20,675	15,000	15,600	15,600	12,200	23,000	14,650
Infrastructure - Electricity		7,918	15	7,001	11,836	4,589	4,589	21,336	21,000	22,000
Infrastructure - Water		53,370	21,774	57,360	3,000	34,578	34,578	24,000	35,000	38,000
Infrastructure - Sanitation		-	20,191	15,441	19,419	25,297	25,297	1,300	-	10,220
Infrastructure - Other		4,646	10,070	2,483	-	321	321	-	-	-
Infrastructure		106,410	102,752	102,960	49,255	80,385	80,385	58,836	79,000	84,870
Community		29,119	42,755	17,555	54,664	53,560	53,560	51,848	24,117	25,314
Heritage assets		-	-	1,347	400	400	400	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	5,289	4,157	21,946	-	2,229	2,229	4,600	1,000	1,100
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4									
Infrastructure - Road transport		49,011	52,214	62,328	58,001	55,232	55,232	43,838	52,923	97,402
Infrastructure - Electricity		103,991	54,483	79,462	37,236	45,764	45,764	31,380	21,000	75,000
Infrastructure - Water		73,993	29,447	87,634	33,401	65,987	65,987	44,400	67,792	76,425
Infrastructure - Sanitation		-	25,304	29,063	23,419	55,541	55,541	22,663	14,974	76,785
Infrastructure - Other		5,400	10,070	2,483	-	321	321	-	-	-
Infrastructure		232,395	171,518	260,970	152,057	222,846	222,846	142,280	156,689	325,612
Community		59,180	50,581	37,147	64,713	66,577	66,577	64,470	42,645	47,640
Heritage assets		-	-	1,347	400	400	400	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		39,528	16,981	79,116	75,260	178,303	178,303	202,391	44,666	67,416
Agricultural Assets		-	-	57	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		430	2,742	18,302	930	4,161	4,161	15,826	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	331,533	241,823	396,939	293,360	472,288	472,288	424,969	244,000	440,668
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport		2,222,597	2,192,907	2,154,408	2,073,416	2,090,618	2,090,618	1,987,836	1,862,248	1,767,044
Infrastructure - Electricity		1,093,165	1,072,194	1,088,666	1,083,312	1,091,840	1,091,840	1,087,981	1,072,742	1,115,364
Infrastructure - Water		465,505	489,514	458,366	478,498	517,522	517,522	529,778	563,433	623,206
Infrastructure - Sanitation		580,039	560,640	478,630	573,060	605,982	605,982	629,566	643,871	721,058
Infrastructure - Other		188,433	167,151	2,483	202,339	203,567	203,567	206,598	207,524	208,546
Infrastructure		4,549,740	4,482,407	4,182,553	4,410,627	4,509,530	4,509,530	4,441,758	4,349,818	4,435,219
Community		669,629	713,535	612,041	754,535	760,567	760,567	923,062	948,218	971,471
Heritage assets		620	620	1,556	620	620	620	620	620	620
Investment properties		480,517	502,512	528,388	502,512	504,512	504,512	523,512	523,512	523,512
Other assets		46,523	32,603	595,284	30,124	101,886	101,886	107,203	104,926	105,408
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		1,143	4,860	20,865	16,737	16,968	16,968	22,626	22,626	22,626
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	5,748,171	5,736,537	5,940,687	5,715,155	5,894,082	5,894,082	6,018,781	5,949,720	6,058,855
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation &amp; asset impairment</b>		242,282	267,571	229,643	298,154	298,154	298,154	298,154	313,062	331,532
<b>Repairs and Maintenance by Asset Class</b>	3	69,975	69,372	66,355	86,302	83,879	83,879	107,087	111,370	117,941
Infrastructure - Road transport		22,765	5,691	7,351	8,092	6,142	6,142	6,707	6,976	7,387
Infrastructure - Electricity		24,463	10,472	19,185	36,971	26,022	26,022	39,109	40,673	43,073
Infrastructure - Water		7,571	2,887	5,447	5,727	11,374	11,374	12,125	12,610	13,354
Infrastructure - Sanitation		10,348	9,482	9,202	9,644	15,002	15,002	16,993	17,672	18,715
Infrastructure - Other		3,555	6,039	2,998	5,115	5,203	5,203	6,414	6,671	7,064
Infrastructure		68,702	34,572	44,183	65,546	63,743	63,743	81,348	84,601	89,593
Community		6,137	6,189	6,806	7,951	8,124	8,124	9,460	9,839	10,419
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	(4,864)	28,612	15,366	12,803	12,012	12,012	16,279	16,930	17,929
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		312,257	336,943	295,998	384,456	382,033	382,033	405,241	424,432	449,473
<b>Renewal of Existing Assets as % of total capex</b>		42.5%	61.9%	36.2%	35.6%	28.9%	28.9%	27.1%	42.7%	25.3%
<b>Renewal of Existing Assets as % of deprecn</b>		58.1%	55.9%	62.6%	35.0%	45.8%	45.8%	38.7%	33.3%	33.6%
<b>R&amp;M as a % of PPE</b>		1.3%	1.3%	1.2%	1.7%	1.6%	1.6%	2.0%	2.1%	2.1%
<b>Renewal and R&amp;M as a % of PPE</b>		4.0%	4.0%	4.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE.
3. During 2016/17 financial year 27.1 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2016/17 to 2018/19 is remaining constant at 4 per cent. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

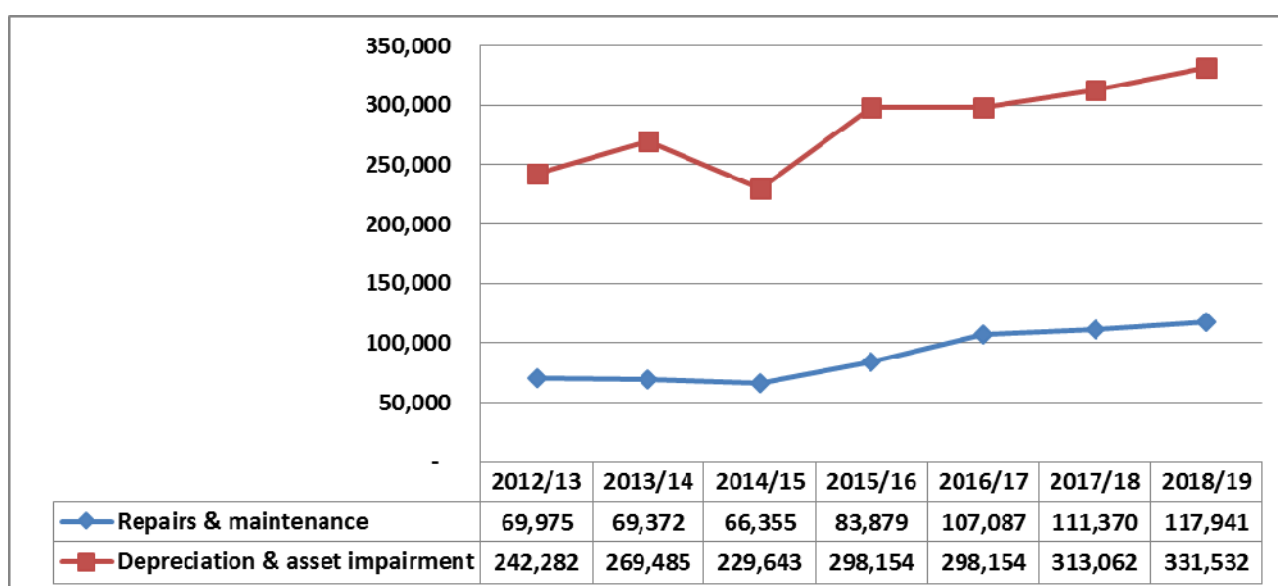


Table 25 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		58,981	64,283	68,140	72,338	72,338	72,338	74,001	75,703	80,246
Piped water inside yard (but not in dwelling)		38,274	38,116	40,403	38,690	38,690	38,690	38,883	39,078	41,422
Using public tap (at least min.service level)	2	4,464	7,020	7,441	5,383	5,383	5,383	5,615	5,834	6,184
Other water supply (at least min.service level)	4	–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		101,719	109,419	115,984	116,410	116,410	116,410	118,500	120,615	127,851
Using public tap (< min.service level)	3	–	4,500	4,770	3,873	3,873	3,873	3,641	3,422	3,628
Other water supply (< min.service level)	4	1,309	–	1,309	1,291	1,291	1,291	1,214	1,141	1,209
No water supply		3,613	3,454	3,613	3,117	3,117	3,117	2,930	2,754	2,919
<i>Below Minimum Service Level sub-total</i>		4,922	7,954	9,692	8,281	8,281	8,281	7,784	7,317	7,756
<b>Total number of households</b>	5	<b>106,641</b>	<b>117,373</b>	<b>125,676</b>	<b>124,691</b>	<b>124,691</b>	<b>124,691</b>	<b>126,284</b>	<b>127,931</b>	<b>135,607</b>
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		124,716	91,757	124,716	101,162	101,162	101,162	103,932	106,696	113,098
Flush toilet (with septic tank)		58,400	6,781	58,400	6,815	6,815	6,815	6,474	6,150	6,519
Chemical toilet		46,109	3,430	46,109	3,404	3,404	3,404	3,234	3,072	3,256
Pit toilet (ventilated)		–	2,755	2,920	2,700	2,700	2,700	2,565	2,437	2,583
Other toilet provisions (> min.service level)		88,740	5,675	88,740	5,634	5,634	5,634	5,352	5,085	5,390
<i>Minimum Service Level and Above sub-total</i>		317,965	110,398	320,885	119,715	119,715	119,715	121,557	123,440	130,847
Bucket toilet		–	3,702	3,924	2,817	2,817	2,817	2,676	2,542	2,695
Other toilet provisions (< min.service level)		–	971	1,029	728	728	728	692	657	697
No toilet provisions		1,085	2,302	1,085	1,431	1,431	1,431	1,359	1,291	1,369
<i>Below Minimum Service Level sub-total</i>		1,085	6,975	6,038	4,976	4,976	4,976	4,727	4,491	4,760
<b>Total number of households</b>	5	<b>319,050</b>	<b>117,373</b>	<b>326,924</b>	<b>124,691</b>	<b>124,691</b>	<b>124,691</b>	<b>126,284</b>	<b>127,931</b>	<b>135,607</b>
<b>Energy:</b>										
Electricity (at least min.service level)		24,925	24,925	24,925	107,477	107,477	107,477	110,164	112,918	119,693
Electricity - prepaid (min.service level)		6,035	6,034	6,035	6,307	6,307	6,307	6,338	6,370	6,752
<i>Minimum Service Level and Above sub-total</i>		30,960	30,959	30,960	113,784	113,784	113,784	116,503	119,288	126,446
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		5,823	5,823	5,823	6,086	6,086	6,086	6,117	6,147	6,516
Other energy sources		–	–	–	4,821	4,821	4,821	3,665	2,495	2,645
<i>Below Minimum Service Level sub-total</i>		5,823	5,823	5,823	10,907	10,907	10,907	9,781	8,643	9,161
<b>Total number of households</b>	5	<b>36,784</b>	<b>36,782</b>	<b>36,784</b>	<b>124,691</b>	<b>124,691</b>	<b>124,691</b>	<b>126,284</b>	<b>127,931</b>	<b>135,607</b>
<b>Refuse:</b>										
Removed at least once a week		81,500	93,488	81,500	103,020	103,020	103,020	105,544	108,130	114,618
<i>Minimum Service Level and Above sub-total</i>		81,500	93,488	81,500	103,020	103,020	103,020	105,544	108,130	114,618
Removed less frequently than once a week		–	2,159	2,159	2,073	2,073	2,073	1,990	1,910	2,025
Using communal refuse dump		–	3,091	3,091	2,967	2,967	2,967	2,849	2,735	2,899
Using own refuse dump		–	13,720	13,720	13,171	13,171	13,171	12,644	12,139	12,867
Other rubbish disposal		–	824	824	791	791	791	759	729	773
No rubbish disposal		–	4,091	4,091	2,668	2,668	2,668	2,498	2,289	2,426
<i>Below Minimum Service Level sub-total</i>		–	23,885	23,885	21,671	21,671	21,671	20,740	19,801	20,989
<b>Total number of households</b>	5	<b>81,500</b>	<b>117,373</b>	<b>105,385</b>	<b>124,691</b>	<b>124,691</b>	<b>124,691</b>	<b>126,284</b>	<b>127,931</b>	<b>135,607</b>
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		17,827	40,736	–	45,500	45,500	45,500	45,728	45,956	–
Sanitation (free minimum level service)		11,000	6,023	–	11,500	11,500	11,500	11,500	11,600	–
Electricity/other energy (50kwh per household per month)		11,000	6,023	–	11,500	11,500	11,500	11,500	11,500	11,500
Refuse (removed at least once a week)		11,000	6,023	–	11,500	11,500	11,500	11,500	11,600	–
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		69,300	224	62,807	91,648	91,648	91,648	97,146	102,975	109,154
Sanitation (free sanitation service to indigent households)		13,003	924	–	17,196	17,196	17,196	18,228	19,322	20,481
Electricity/other energy (50kwh per indigent household per month)		4,863	188	6,583	6,414	6,414	6,414	6,799	7,207	7,207
Refuse (removed once a week for indigent households)		9,034	682	–	11,060	11,060	11,060	11,724	12,427	13,173
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		–	–	–	–	–	–	–	–	–
<b>Total cost of FBS provided</b>		<b>96,200</b>	<b>2,018</b>	<b>69,391</b>	<b>126,318</b>	<b>126,318</b>	<b>126,318</b>	<b>133,897</b>	<b>141,931</b>	<b>150,014</b>
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		–	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)		137	153	162	165	165	165	170	175	175
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		105	121	128	240	240	240	240	240	240
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		420	485	485	500	500	500	550	600	600
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		165,665	179,219	208,711	187,211	213,954	213,954	213,954	228,717	241,296
Water (in excess of 6 kilolitres per indigent household per month)		–	–	–	–	–	–	–	–	–
Sanitation (in excess of free sanitation service to indigent households)		–	–	–	–	–	–	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)		–	–	–	–	–	–	–	–	–
Refuse (in excess of one removal a week for indigent households)		–	–	–	–	–	–	–	–	–
Municipal Housing - rental rebates		–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	6	–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
<b>Total revenue cost of subsidised services provided</b>		<b>166,085</b>	<b>179,704</b>	<b>209,196</b>	<b>187,711</b>	<b>214,454</b>	<b>214,454</b>	<b>214,504</b>	<b>229,317</b>	<b>241,896</b>

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Mogale City continues to make progress with the eradication of backlogs:
  - a. Water services – (below minimum service level) 7 784 households are provided by water through water tankering. These households are largely found in 'rural areas' and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
  - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
  - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 15 000 households to be registered as indigent in 2016/17 currently Mogale City is providing free basic services to 13 400 households. The number is set to increase to 20 000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R133 897 million in 2016/17, increasing to R150 014 million in 2018/19. This is covered by the municipality's equitable share allocation from national government.

## 2. Part 2 – Supporting Documentation

### 1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

### 1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 31 August 2015. Key dates applicable to the process were:

PHASES	ACTIVITIES	RESPONSIBLE	DATES
<b>Phase 1 Planning Process</b>			
	Adoption of IDP/ budget Process Plan	IDP and BTO	August 2015
	Presentation to IDP/ budget task team	IDP	August 2015
Strategic IDP/Budget workshop for Mayoral Committee and Senior Management	Presentation to councillors	IDP and BTO	October 2015
	Review of 2016/17 public participation to determine the following <ul style="list-style-type: none"> <li>What needs to be improved for the public participation</li> <li>What are the possible alternatives for the next public participation?</li> </ul>	IDP and Public Participation Divisions	October 2015
	<ul style="list-style-type: none"> <li>Review 1<sup>st</sup> quarter performance</li> <li>Determine service delivery priorities</li> <li>Agree on MTFF and its assumptions.</li> <li>Agree on initial cash limits for each department</li> </ul>	IDP unit and BTO	October 2015
	MEC comments review	IDP Division	Oct/Nov 2015
	Executive Managers/Managers complete stage 1 IDP/Budget input forms.	All Departments	November 2015
	Public Participation Process	Exec. Mayor and mayoral committee	Oct- Nov 2015
<b>Phase 2 Analysis</b>			
Community and stakeholder analysis	Community and stakeholder register	Office of the Speaker	October 2015
	Consideration of economic priorities	Financial Services	Oct/Nov 2015
	Institutional analysis	Corporate Services	Oct/Nov 2015
	Spatial Priorities	Planning and Development	Oct/Nov 2015
	Socio-Economic Priorities	IDP Unit	Oct/Nov 2015



	Institutional transformation	All Departments	Oct/Nov 2015
	Compliance with IDP legal framework	The entire municipality	Oct/Nov 2015
	Alignment of Priorities	IDP unit	Oct/Nov 2015
<b>PHASE 3</b>	<b>STRATEGIES</b>		
	Vision and Mission	The entire municipality	October 2015
	Objectives and development priorities	The entire municipality	October 2015
	Programme and Project Identification	The entire municipality	October 2015
<b>PHASE 4</b>	<b>PROGRAMME AND PROJECTS</b>		
Project & programme proposals	Priority Programmes and Projects	All Departments	
Project costing	CAPEX and OPEX costing	BTO	
	Setting of project targets and indicators	All Departments	December 2016
<b>PHASE 5</b>	<b>INTEGRATION</b>		
	MEC comments	IDP unit	
	Sectoral plans		January 2016
	Operational plans	All Departments	
	Performance review	M& E	January 2016
	<ul style="list-style-type: none"> <li>Agreement on the 2015/16 adjustment budget</li> <li>Agreement on changes Approved by Executive Mayor and Councillors on IDP/Budget</li> </ul>	IDP and BTO	January 2016
	Tabling of the midyear performance review and 2013/14 annual report	Executive Mayor	February 2016
	Submission of stage II input forms by Executive Managers and Manager	All Department	February 2016
<b>PHASE 6</b>	<b>APPROVAL</b>		
	Tabling of the IDP/Budget to Portfolios	IDP/Budget Office	March 2016
	Tabling of the draft IDP and budget to council	Executive Mayor	March 2016
	Public Notice inviting comments	IDP unit	March 2016
	Statutory Public Participation process	Exec. Mayor	April 2016
	Responses to and incorporation of comments including portfolio Committees inputs		
	Tabling of IDP and budget for	Municipal Council	May/June

	consideration/ approval.		2016
	Submission of the approved IDP to the MEC of Local Government	IDP unit	June/July 2016
	Approval of the SDBIP	Executive Mayor	June/July 2016
<b>PHASE 7 IMPLEMENTATION</b>			
	Project implementation in accordance with the SDBIP	All Departments	July 2016 – June 2017
	Monitoring	M&E	
	Review	All Departments	January 2016
	Quarterly reporting MM, MEC, council	M&E	Every quarter
<b>PHASE 8 ANNUAL REVIEW</b>			
<b>Draft Annual Report</b>	Submission of unaudited Draft Annual Report to MPAC	M & E	Aug 16
	Submission of the Annual Report to AG	M&E	Aug 16
	Tabling of the Annual Report	M&E	Nov 16
<b>Oversight Report</b>	Oversight Report made public and Submitted to National Treasury and Local Government Departments	Council	Dec 16

## 1.9 Overview of budget related-policies

- 1.9.1 The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The Budget Related Policies have been reviewed as part of the compilation of the Medium Term Revenue and Expenditure Framework for the 2016/2017 – 2018/2019 period. The Budget related policies will be approved by Council in May 2016. While the adopted policies were credible, sustainable, manageable and informed by affordability and value for money, the policies were reviewed as part of the budget compilation as required by the Municipal Budget and Reporting Regulations.

- 1.9.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14, 2014/15 and 2015/16 financial years remain in force for the 2016/17 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws

1.9.3 **Review of Property Rates Policy**

**Changes are Approved to the 2015/2016 Property Rates Policy as follows:**

1. Amendment to 7.1. Categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j.
2. Amendment – section 8 (1) (b) (i) Joint income for qualifying pensioners has been increased from R60 000 to R96 000.
3. Amendment – section 13. 4. (e) Properties that do not get rebates includes mining properties.

#### 1.9.4 Review of credit control and debt collection policy

**Changes and additions are Approved to the 2015/16 policy as follows:**

1. The clause 6.14.2.11 is added: arrangements are authorized and approved by Specialist.
2. Clause: municipality may open tenants account only for consumers who are approved as indigents to allow them to benefit from the indigent program, and a permission letter from the owner will be required. The clause is added on clause 5.7.1.

#### 1.9.5 Review on Supply Chain Management Policy

**Changes and additions are Approved to the 2015/16 approved policy as follows:**

1. verbal quotations, up to a transaction value of R2 000 (VAT included), petty cash purchases may be incurred up to a maximum value of R 500 **per transaction with the maximum of R 2 000 per cost centre per month; (page 14)**
2. request for quotations advertised on the website **and notice board** for 7 days for procurements of a transaction value over R30 000 up to R200 000 (VAT included); **(page 15)**
3. **specify the listing criteria for accredited prospective providers, and (page 17) (addition)**
4. **in terms of subsection 14.3(h) below identified by Mogale City".(page 19) (replacement)**
5. **The following expenditure may only be incurred from petty cash in cases of urgency:**
6. ☐ **Any item that is a Stores stock item.(page 19) (deleted)**
7. **bids with a rand value equal to, or above R 30 000 will be subjected to the preference points system in terms of section 5.1 of the Preferential Procurement Regulations of 2011 (page 22) (addition)**
8. **All committee members must annually declare their financial interest to the accounting officer. (page 28) (addition)**
9. **must be approved by the accounting officer or his/her delegate prior to publication of the invitation for bids in terms of paragraph 22 of this Policy. (page 29) (addition)**
10. **(iv) (iv) Acceptance letter;**
11. **(v) (v) Service Level Agreement.**
12. **(4)Municipalities should consult with Gauteng Provincial Treasury on the intention to partake in a contract secured by an other organ of state. (page 33) (deleted).**

### 1.9.6 Review of Cash Management & Investment Policy

Changes and additions are Approved to the 2015/16 approved policy as follows:

1. The CFO shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. This statement is not relevant as the CFO should process payments on a daily basis, not once a month.

### 1.9.7 Review of Indigent Management Policy

Changes and additions are Approved to the 2015/16 approved policy as follows:

1. **Occupier:** A person who lives on land which does not belong to him/her and who has permission from the owner to be there. ***This is not limited to the account holder.***
2. **Vulnerable Person:** Means a consumer occupying land with the written consent of the owner, but to which the consumer does not have title, lease or security of tenure. ***This is not limited to the account holder.***
3. **Landlord:** ***A person, body Corporate, company or organization that owns a building or land where people pay for use thereof plus pay for Municipal services.***
4. **Exceptions:** ***Accounts that cannot be subsidized on the Financial Management System of the Municipality. Such accounts are identified as closed accounts or property sale accounts.***
5. ***POLICY OUTCOMES***

*The following are anticipated policy outcomes on Indigent Policy management:*

- *Consistent practice in the implementation of the Indigent Management Policy.*
- *Satisfactory level of compliance with the Policy provision.*
- *Quarterly updated Indigent Register.*
- *Quarterly reporting on the implementation of the Indigent Management Programme.*

6. Eligible applicants will include pensioners, the unemployed and child headed families who are unable to fully meet their obligations for payment of municipal services consumed and property rates on their monthly accounts.

***Employed people whose monthly income is below the above mentioned threshold are also eligible to apply.***

7. **Provision for elderly who reside in council owned properties, *Retirement Villages and Old Age Homes.***

8. ***Indigent consumers living in Old Age Homes and Retirement Villages are eligible to apply for indigent support in terms of this policy. It is upon the individual unit owner to apply to the Municipality for indigent support. The applicant must be responsible for payment of Municipal services.***

9. In the event that the application is declined, it must be captured as such in the Indigent Management System, and a letter should be sent to the applicant informing them of the disapproval. ***This will also be done via sms notification to the applicant if a valid cellphone number is available of the applicant. The validity of the cellphone number will be verified against the billing system and the application form in which the applicant disclosed his/her cellphone number.***

## 10. **Commencement of status as an indigent consumer**

*Indigent recommendations reports are tabled at IPIMEC on a monthly basis for the evaluation and approval of such recommendations. The approved recommendations report is delivered to Finance Department to flag and load the Indigent subsidies on the individual accounts. It is from here that Indigent Cycle commences and is accepted that this is the first status as Indigent for the consumer that will reflect on all communication from this point on.*

*Finance Department will return the subsidized accounts to be captured into the Indigent Management System for relevant outcome documentation to be prepared and delivered to all applicants. It is also noted that “**Exceptions**” defined as accounts that could not be subsidized or account holders that refused the installation of prepaid meters will be tabled again at IPIMEC at following meeting, as these accounts must have their status formally changed as part of the audit principles.*

## 11. **Re – evaluation**

*All approved indigent households will be re-evaluated prior to the 24 month expiry period. The recommendations report on the re-evaluation will then be submitted to IPIMEC for approval.*

### 1.9.8 The following policies approved during 2015/16 financial year reflect no changes:

1. Budget Management Policy
2. Adjustment Budget Management Policy
3. Long Term Financial Planning Policy
4. Unauthorised Irregular Fruitless & Wasteful Expenditure Policy
5. Indigent Management Policy

**All the above policies are available on the City’s website, as well as the following budget related policies:**

1. Immovable Property, Plant & Equipment Policy
2. Write Off Policy
3. Sports & Recreation Facilities Tariff Policy
4. General Tariff Policy
5. Virement Policy
6. Funding & Reserves Policy
7. Directives for Deviations from the normal SCM Process
8. Public Safety Tariff Policy
9. Development Contribution for Engineering Services Policy
10. Water Services By-laws

## 1.10 Overview of budget assumptions

### 1.10.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 23 per cent of total operating expenditure in the 2016/17 MTREF.

### 1.10.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2016/17 financial year.

### 1.10.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (**97 per cent**) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 1.10.4 Salary increases

Employee related cost overall will increase by 6.7% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial Year – an increase of 7 per cent;
- 2016/17 Financial Year – an increase based on the average CPI percentage (5.7%) for the period 1 February 2015 until 31 January 2016, plus one percent (1%);
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

### 1.10.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### 1.10.6 The South African economy and inflation targets

The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa's own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2016 improving gradually to 1.7 per cent in 2017 and 2.4 per cent in 2018.

The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2016.

These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.

Job creation remains one of the most pressing concerns for the economy. Headline employment grew by 3.7 per cent in the first three quarters of 2015. According to Statistics South Africa, 19 000 jobs were created in the formal sector and 273 000 in the informal sector in the first three quarters of 2015. The unemployment rate stood at 25.5 per cent in the third quarter of 2015, with the number of South Africans categorised as long-term unemployed 5.7 per cent higher than in 2014.

Higher inflation and weaker employment growth will impact on the ability of all municipalities to generate and collect revenue on services, to keep expenditures within budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. **Therefore it is critical for municipalities to review how they conduct their business to ensure value for money is obtained in all their expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.** Belt tightening is a reality for all municipalities all cost cutting measures must be implemented fully without compromising quality service delivery to all citizens.



**Mogale City is committed to focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore will ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform our planning.** Financial sustainability means that future generations will not be burdened with paying for services that today's taxpayers enjoy.

### 1.10.7 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

**Table 26 MBRR Table A7 - Budget cash flow statement**

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		322 147	344 658	370 073	380 150	425 641	425 641	425 641	459 750	485 036	510 743
Service charges		906 390	945 132	1 032 472	1 350 542	1 302 078	1 302 078	1 302 078	1 430 843	1 582 527	1 750 525
Other revenue		88 261	183 623	121 678	194 402	283 756	283 756	283 756	137 492	87 408	92 041
Government - operating	1	224 377	238 357	266 401	274 720	274 258	274 258	274 258	298 444	339 840	375 307
Government - capital	1	120 383	102 467	99 243	141 157	151 919	151 919	151 919	255 952	181 026	180 948
Interest		23 886	12 624	17 329	40 237	44 011	44 011	44 011	43 547	46 149	48 595
Dividends			34	19					-	-	-
<b>Payments</b>											
Suppliers and employees		(1 400 128)	(1 526 233)	(1 613 651)	(1 977 841)	(2 156 324)	(2 156 324)	(2 156 324)	(2 221 240)	(2 245 600)	(2 391 344)
Finance charges		(45 421)	(38 049)	(43 110)	(56 035)	(56 514)	(56 514)	(56 514)	(52 094)	(48 467)	(34 429)
Transfers and Grants	1	(32 510)		-	(64 439)	(54 597)	(54 597)	(54 597)	(79 071)	(60 302)	(63 719)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>207 386</b>	<b>262 614</b>	<b>250 453</b>	<b>282 892</b>	<b>214 228</b>	<b>214 228</b>	<b>214 228</b>	<b>273 622</b>	<b>367 617</b>	<b>468 667</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		-	-		50 000	50 000	50 000	50 000	20 000	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (Increase) other non-current receivables									-	-	-
Decrease (Increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(323 911)	(223 553)	(398 072)	(293 360)	(383 640)	(383 640)	(383 640)	(424 969)	(244 000)	(440 668)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(323 911)</b>	<b>(223 553)</b>	<b>(398 072)</b>	<b>(243 360)</b>	<b>(333 640)</b>	<b>(333 640)</b>	<b>(333 640)</b>	<b>(404 969)</b>	<b>(244 000)</b>	<b>(440 668)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing		190 994	-	239 500					-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing		(28 080)	(32 519)	(22 732)	(41 173)	(41 346)	(41 346)	(41 346)	(33 814)	(106 223)	(28 949)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>162 914</b>	<b>(32 519)</b>	<b>216 768</b>	<b>(41 173)</b>	<b>(41 346)</b>	<b>(41 346)</b>	<b>(41 346)</b>	<b>(33 814)</b>	<b>(106 223)</b>	<b>(28 949)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>46 388</b>	<b>6 541</b>	<b>69 149</b>	<b>(1 641)</b>	<b>(160 758)</b>	<b>(160 758)</b>	<b>(160 758)</b>	<b>(165 161)</b>	<b>17 394</b>	<b>(950)</b>
Cash/cash equivalents at the year begin:	2	43 775	90 163	96 705	1 858	165 782	165 782	165 782	165 782	621	18 015
Cash/cash equivalents at the year end:	2	90 163	96 705	165 853	217	5 024	5 024	5 024	621	18 015	17 065

The above table shows that cash and cash equivalents of the City remains positive from 2012/13 at R90 163 million, decrease during 2016/17 financial year and over the MTREF.

### 1.10.8 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

**Table 27 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

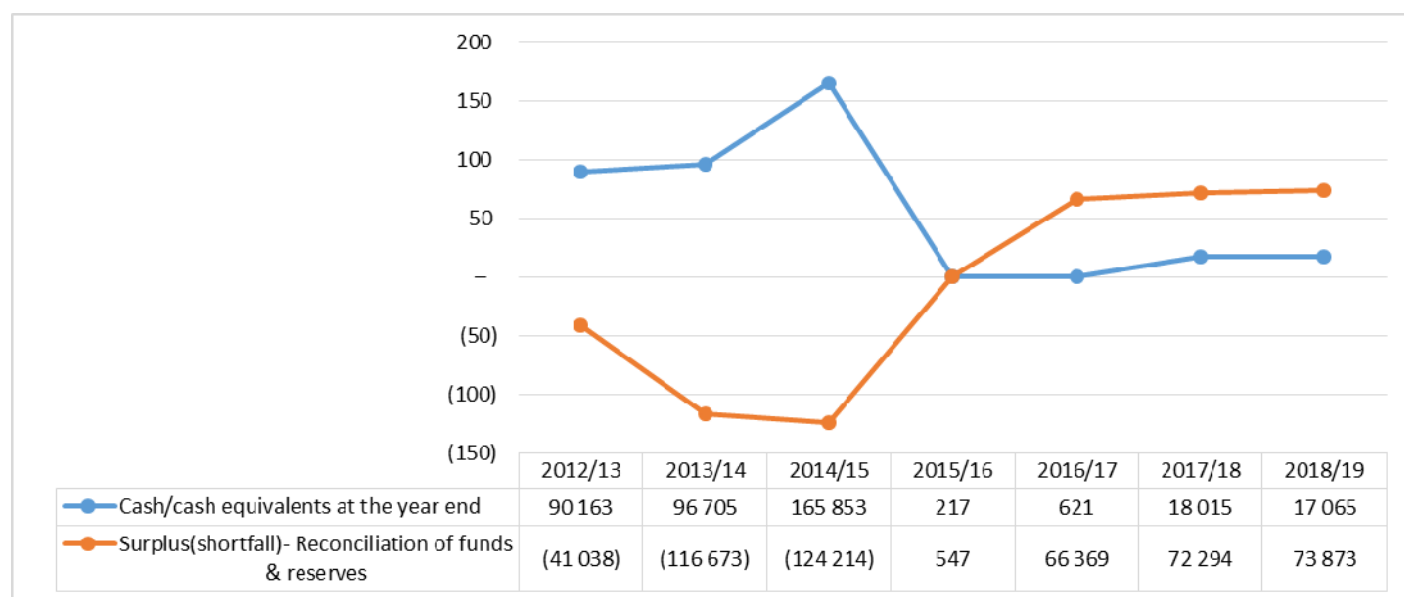
GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	90 163	96 705	165 853	217	5 024	5 024	5 024	621	18 015	17 065
Other current investments > 90 days		0	0	0	0	0	0	0	-	-	-
Non current assets - Investments	1	47 108	53 935	61 608	63 559	63 559	63 559	63 559	69 793	72 584	75 488
<b>Cash and investments available:</b>		<b>137 271</b>	<b>150 639</b>	<b>227 461</b>	<b>63 776</b>	<b>68 583</b>	<b>68 583</b>	<b>68 583</b>	<b>70 414</b>	<b>90 600</b>	<b>92 553</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		7 984	8 183	23 823	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	70 832	70 446	61 136	65 446	61 136	61 136	61 136	79 075	82 238	85 527
Other working capital requirements	3	43 059	123 338	191 024	(78 991)	(79 438)	(79 438)	(79 438)	(158 908)	(151 164)	(157 569)
Other provisions		9 776	12 013	14 085	13 215	14 085	14 085	14 085	14 085	14 648	15 234
Long term investments committed	4	46 659	53 332	61 608	63 559	63 559	63 559	63 559	69 793	72 584	75 488
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>178 309</b>	<b>267 312</b>	<b>351 674</b>	<b>63 229</b>	<b>59 342</b>	<b>59 342</b>	<b>59 342</b>	<b>4 045</b>	<b>18 306</b>	<b>18 680</b>
<b>Surplus(shortfall)</b>		<b>(41 038)</b>	<b>(116 673)</b>	<b>(124 214)</b>	<b>547</b>	<b>9 241</b>	<b>9 241</b>	<b>9 241</b>	<b>66 369</b>	<b>72 294</b>	<b>73 873</b>

**The following is a breakdown of the application of this funding:**

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**
- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- **The municipality has no cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the City.**

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.



**Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds**

## 2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

- 1. In year reporting**  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.
- 2. Internship programme**  
The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2015, currently Mogale City have absorbed permanently all five interns. During the 2015/16 financial year employed 5 interns to undergo training in various divisions of the Financial Services Department we have since absorb two interns on permanent basis. Since the introduction of the Internship programme the City has successfully employed and trained twenty six interns through this programme and majority of them were appointed in Mogale City.
- 3. Budget and Treasury Office**  
The Budget and Treasury Office has been established in accordance with the MFMA.
- 4. Audit Committee**  
An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.
- 5. Service Delivery and Implementation Plan**  
The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the March 2015 Strategic Plan.
- 6. Annual Report**  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
- 7. Policies**  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

## 2.5 Municipal manager's quality certificate

I Dan Mashitisho, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Dan Mashitisho

Municipal Manager of Mogale City (GT481)

Signature \_\_\_\_\_

Date \_\_\_\_\_